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# China Report

ECONOMIC AFFAIRS

SPECIAL NOTICE INSIDE



FOREIGN BROADCAST INFORMATION SERVICE

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21 MAY 1987

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NATIONAL AFFAIRS, POLICY

LU DONG ON ENTERPRISE REFORM

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 3, 23 Mar 87 pp 4-6

[Article by Lu Dong [0712 2639]: "Intensify Enterprise Reform, Further Strengthen Enterprise Vigor"]

[Text] This year the reform of China's economic system will take an important new step. In this new year, we must conscientiously implement the eight resolutions regarding invigoration of enterprises recently promulgated by the State Council. In keeping with the principle of separation of ownership and management authority, we must boldly probe and move ahead, striving to find forms of management that suit the characteristics of different enterprises, perfecting the enterprise management system, and further invigorating enterprises, especially large and medium-size enterprises. This is the central task in reform of the urban economic system for this year.

Since the Third Plenary Session of the Eleventh Party Congress, urban economic reform with the invigoration of enterprises as its central aspect has focused on adjusting the economic relationships between the state and enterprises and between enterprises and staff and workers; beginning with an expansion of enterprise management autonomy, a succession of reforms was implemented, such as retention of enterprise funds and profits, sharing of profits in excess of profit contracts, two-phase conversion of profits to taxes, contract system of wages based on output, and wages based on results. In addition, a series of resolutions expanding enterprise autonomy was also promulgated. In short, this preceding phase of enterprise reform, consisting primarily of expansion of autonomy, reduction of taxes, and allowing enterprises to retain profits, broke the old management mold formed over a long period of time and characterized by centrally controlled income and expenditure; enterprises began to have a certain amount of autonomy in matters of finance and management, and staff and workers received the corresponding material benefits from development of production and improved results, which gradually enlivened all economic activity. However, it should also be noted that expansion of enterprise authority has not been fully implemented; enterprises lack reserve strength for their development, and the behavioral mechanisms for enterprise self-restraint are still incomplete. The key to solving these problems lies in intensifying reform, pursuing diverse management-contract responsibility

systems, and giving managers ample management autonomy. To this end, we must achieve a consensus on the following problems and seek ways to solve them.

1. In the final analysis, strengthening enterprise vigor means increasing enterprise re-input capacity (development of new products and updating of technology and equipment); this is the material foundation for guiding enterprise production and management towards a benign cycle. When we speak of an enterprise having no vigor, or of how vigorous it is, we are looking at whether the enterprise can constantly provide new products adapted to market demand, whether the enterprise has reserve strength for its development, and these things are determined by its re-input capacity. This problem is still far from being solved. According to final accounting data from the Ministry of Finance, in 1985 industrial enterprises retained 24.05 billion yuan in profits, or 782 yuan per capita. In industries other than iron and steel, petrochemicals, petroleum, and automobiles, in which input-output contracts were implemented, profit retained was 631 yuan per capita. The enterprises report that, under current policies, the profit retained by enterprises is only enough to meet two obligations (the state and staff and workers), with the third (the enterprise) having to be squeezed out; the first obligation requires providing for energy and transport funds, treasury bonds, subsidies for increases in prices of nonstaple foodstuffs, and local allocations, while the second obligation requires providing for staff and worker bonuses, wages in compensation of expenses incurred by staff, housing construction, and overdrafts for medical expenses. An enterprise needs around 600 yuan to meet these two obligations, so that there is not much left over with which to develop production. According to a Shandong survey of 2,000 industrial enterprises included in the provincial budget, nominal profits retained by enterprises after taxes in 1985 were 770 million yuan, accounting for 42 percent of profits realized by the enterprises. After the various deductions, the enterprises actually retained only 49 million yuan in funds for developing production, or 6 percent of the profits retained, with each enterprise averaging less than 25,000 yuan. Most enterprises are now only able to maintain simple reproduction, and a significant number have trouble doing even that. This is an important factor behind the enterprises' aging equipment, backward techniques, and slow technological progress. With the exception of those large and medium-size mainstay enterprises affecting the national economy and the people's livelihood with an important mission of technological upgrading, and coastal light industrial and textile enterprises with an important exporting mission, whose tax and profit burden has been reduced with State Council approval, in order to solve this problem most enterprises will now have to seek a way out by reforming their management and pursuing various forms of management-contract responsibility systems, so that they will be able to strengthen their capacity for self-accumulation and self-development by exploiting internal potential.

2. Lack of vigor in enterprises is a concentrated manifestation of the various defects in the old economic management system and is not necessarily related to the socialist system of public ownership. Our reform must overcome obstacles to the development of social productive forces, further consolidating and perfecting the forms of ownership, dominated by public ownership, so that the superiority of the socialist system is fully exploited. In terms of the rural situation, implementation of the output contract

responsibility system while insisting on public ownership of the land has given the masses of peasants true operating autonomy, thereby promoting vigorous development of a socialist rural economy. By the same principle, the key to invigorating the urban economy also lies in seeking out forms of management that are adapted to actual conditions, with the enterprise as unit. In this regard, we have already gained much practical experience. In the last few years, in enterprises that have implemented input-output contracts and enterprises that have implemented various forms of management contract responsibility systems, the rate of increase in the state's revenue, enterprise retention, and staff and worker income have all been much higher than average levels for enterprises in name only. At the same time, enterprise production capacity has also been expanded, and reserve strength has been increased. In the last eight years iron and steel enterprises have relied on these policies and implemented management contracts, increasing steel production capacity by 10 million tons. These conditions forcefully demonstrate that implementing the correct policy and reforming enterprise management are the principal means of strengthening enterprise vigor.

3. In dealing with the relationship between enterprise reform and external conditions, we must insist on placing enterprise reform in the central position, adapting enterprise reform to other reforms and carrying them out in harmony; by pursuing various forms of contracts, we must also encourage enterprises to look inward, to strengthen all aspects of management, perfect enterprise behavioral mechanisms, and induce them to base their invigoration on doing their own work well. The same holds true for actual conditions: given the same autonomy, the same profits retained, or under the same market conditions, an enterprise that has implemented a management contract responsibility system will be much more vigorous than other enterprises.

4. At the same time as we are resolving the distribution relationship between the state and enterprises, we must also correctly implement the principle of distribution according to work and properly handle internal distribution relationships within enterprises. The key here is to turn all authority over distribution of internal wages and bonuses to the enterprises. So long as the total amount of wages set by the state is not exceeded, the enterprise should be able to determine its own specific forms of distribution. Here, too, we have gained a good deal of experience in the same way. In the internal distribution system, we should move away from equal distribution of bonuses to scaled distribution, linking bonuses to work results and personal responsibility, and implementing an economic responsibility system consisting primarily of contracts, assured work quality, and inspections. There have recently been new developments in this integrated approach: it is not just bonuses that are floated by linking them to the economic responsibility system; this has been expanded to include some wages. Practical experience has shown that implementing an economic responsibility system and putting order in internal distribution relationships is an indispensable economic measure for realizing enterprise operating goals and an important way to mobilize staff and worker enthusiasm.

In summary, at the same time as we implement the various policies and resolutions already promulgated by the State Council regarding invigoration of enterprise vigor, intensifying enterprise reform requires that we seek out



concrete management forms that separate ownership and management authority, so that enterprises contract with the state for economic responsibility, and all functions, authority and profits are turned over to the enterprise's managers. This approach presents managers with both incentives and risks and can strengthen their awareness of self-development and their capacity for self-restraint, so that they can better utilize the enthusiasm and creativity of the masses of staff and workers.

For this year's enterprise reforms, in terms of specific methods, hired and contractual management may be tried out for small state-run enterprises and low-profit or losing enterprises.

Large and medium-size enterprises under the system of ownership by the whole people should begin by expanding their test sites and proceed steadily and surely, advancing gradually. The specific forms are as follows:

Management-contract responsibility system. The specific form will vary according to the enterprise's situation.

Enterprise management responsibility system. This approach takes 1986 as the actual base year; income tax is paid on the base profits at a rate of 55 percent. For profits in excess of the base, the tax rate is cut to 30 percent and remains unchanged for a certain number of years. This year this is being tested in six cities: Shenyang, Chongqing, Wuhan, Shijiazhuang, Wuxi and Siping.

Contract responsibility system based on goals for the plant director's tenure. Goals for the manager's tenure are set, or are decided by the bid submitted by the manager, and the manager is given the corresponding rewards or penalties according to how well he met these operating goals. This approach is beneficial in mobilizing manager enthusiasm. Enterprises that have implemented a plant director responsibility system and set goal responsibilities for the plant director's tenure may all try this approach.

Enterprises that have already linked total wages contractually to taxes paid to the state may continue testing this.

In industries that have implemented input-output contracts, the contracts for the form of input-output management should be implemented at the enterprise level.

Military industries using quota contracts should implement these at the enterprise level and pursue an enterprise management contract responsibility system.

Coastal enterprises with an important mission of importing technology and exporting to generate foreign exchange may experiment with the various management methods used by the foreign-investment enterprises.

Horizontal integration between the central government and local governments, between regions, and between enterprises by means of joint capital and issuing shares should be supported.

Shares should not be issued to the public at the present time. Experiments with shares for a small number of small, collective enterprises may be carried out under close supervision and control, but they should not be expanded.

In addition, experiments with other forms of management may be carried out according to specific local conditions, without adhering to a single model.

In dealing with relationships between the enterprise and its staff and workers in the areas of functions, authority, and profits, practical experience has shown that the clearer the responsibility the better, the simpler the method the better, and the more direct the benefits the better; differences should be appropriately magnified. Following are the main forms:

Fixed and floating wages combined. Bonuses and a certain percentage of basic wages should be floated together. As the percentage of floating wages is somewhat greater, the distribution gap can be widened so as to reward the industrious and punish the lazy.

Piecework wages. The requirements for this are a single product, assignments fulfilled, advanced quotas, and reasonable unit prices. There may be collective piecework or individual piecework; the calculation may be based on total pieces, or on pieces in excess of a quota.

Contract wages. This is a method for distributing wages that is closely integrated in both form and substance with the economic responsibility system. Economic and technical indicators are linked to total amount of the wage contract or output, with contracts by rank, comprehensive contracts, and single-item contracts.

Wages plus bonuses. Distribution of wages is determined according to each job's work criteria, responsibility, degree of technical skills required, intensity of physical labor, work environment, and other factors. At the same time, a certain percentage of promotion and bonuses is retained.

In studying and resolving forms of enterprise management, attention should be paid to handling the following 10 issues:

1) Positively pursuing the plant director responsibility system is a basic reform of the enterprise leadership system. The central position of the plant director within the enterprise should be made clear; a manager responsibility system should be put in place, and the role of the enterprise's Party organization and the congress of delegates of staff and workers should be fully exploited. 2) The contract base or amount of the lease should be reasonably determined. Relationships among the state, the enterprise, managers and staff and workers should be properly handled, while ensuring that the state's financial income is increased. Contracts and leases should ensure continuity and stability. 3) Prevent short-term behaviors by managers and strengthen enterprise reserve strength. First, the term of the lease or contract should be suitably extended; second, the contract should spell out the manager's responsibility towards the enterprise's long-term development, as for example stipulating an increase in value, technological upgrading,



complete equipment, and development of new products by the end of the contractual period. 4) Keep consumption funds from getting out of control. The increase in wages and bonuses should not exceed the increase in productivity. Without raising the total amount of wages, flexible approaches should be adopted to mobilize staff and worker enthusiasm. In issuing bonuses, the State Council's resolutions regarding the payment of bonus taxes should be strictly followed. 5) Using the hired or contracted manager's private property as collateral is beneficial in getting the manager to bear the risk and in gaining the support and understanding of staff and workers. 6) The contract should set forth the functions, authority and benefits of the state, the enterprise, and the manager, and it should be notarized to give it legal force. 7) Surplus personnel created by improved productivity should in principle be absorbed by the enterprise itself. 8) A hired or contracted manager may be an individual or a collective, or it may be an enterprise. Well-run enterprises can contract or lease a poorly run enterprise. Hired or contracted managers should be carefully selected. In many areas good results have been had from hiring managers on the basis of bids submitted. 9) State control over enterprises that hire or contract managers should be improved. Enterprises run under lease or contract have not changed the nature of their ownership. Some local-level business departments have been mistakenly treating them as private enterprises, and this is wrong. The responsible departments should make the corresponding reforms and adjustments in their own management methods in accordance with enterprise reform. 10) While ensuring that the state's financial assignments are fulfilled, each province and municipality should do its own experiments in the various forms of contractual management.

Invigorating enterprises is the starting point and basis for reform of the economic system and constitutes the basic theory and practice of China's urban economic reforms. Enterprise management forms and internal distribution systems still need to be perfected in test sites. We hope that with a few more years of practice we shall gradually standardize them, and find the specific forms of enterprise ownership and management that are suited to China's situation.

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## PROVINCIAL AFFAIRS

### BEIJING: CHEN XITONG'S GOVERNMENT WORK REPORT

SK300005 Beijing BEIJING RIBAO in Chinese 15 Mar 87 pp 1-4

[Report by Chen Xitong, mayor of Beijing Municipality, at the Sixth Session of the Eighth Beijing Municipal People's Congress of 6 March: "Uphold the Four Cardinal Principles, Persist in Reform, Opening to the Outside World and Invigorating the Economy, and Advance the Capital's Socialist Modernization Drive"]

[Text] Fellow deputies:

On behalf of the municipal government, I now submit a report on the 1986 Beijing Municipal work and on the 1987 work arrangements and suggestions for examination and approval by the present session.

#### I. On the Work of 1986

In line with the arrangements for the Seventh 5-Year Plan adopted at the Fifth Session of the Eighth Beijing Municipal People's Congress and under the correct leadership of the Party Central Committee, the State Council, and the Beijing Municipal Party Committee, in 1986, we successfully fulfilled all major tasks for economic and social development with the concerted efforts of the people of various nationalities throughout the municipality. We achieved new progress in economic structural reform, opened up a new situation in opening to the outside world, steadily improved the economy, further changed the city appearance, scored new achievements in the scientific, educational, cultural, public health, and sports undertakings, and further strengthened the building of socialist democracy and the legal system. In 1986 we made a big progress in building the capital's socialist material and spiritual civilizations along the direction defined in the "4 directives," and "10 instructions," issued by the central authorities, and made a good start in realizing Beijing Municipality's Seventh 5-Year Plan.

##### 1. We Steadily Developed the Urban and Rural Economy and Appropriately Increased the Rate and Economic Results

In 1986 the gross national product of the entire municipality reached 28 billion yuan. If calculated in terms of comparable prices, the increase was 4.4 percent over the previous year. The total industrial and agricultural

output value came to 36.68 billion yuan, an increase of 4.9 percent. The national income reached 21 billion yuan, 6.4 percent. The proportion of output value of the tertiary industry rose from 33.3 percent in 1985 to 33.9 percent in 1986, and the ratio of employees rose from 36.1 percent to 39.2 percent.

Industry developed normally along with reform and readjustment. At the beginning of last year, owing to a short supply of credit funds, the late implementation of the foreign exchange policy, some enterprises' failure in making their product mix keep pace with the changes in social demands, and the reoccurrence of egalitarianism after the reform of the wages system, the enthusiasm of the workers was dampened and industrial production declined. In face of this grim situation, all sectors worked with coordinated efforts to promote reform and to improve and develop all forms of the economic responsibility system, and mobilize the enthusiasm of the broad masses of enterprise workers and staffers. Production began to rise monthly in the second half of the year. The annual industrial output value increased 4.7 percent. Of this, the industrial output value of enterprises covered by the local budget showed an increase of 6.6 percent and their profits and taxes showed an increase of 4.8 percent. Production and economic results increased correspondingly. We witnessed three changes.

First, enterprises shifted their attention from merely stressing quantity and the growth of output value to product quality and economic results. Compared with 1985, the rate of steady improvements in products rose from 81.1 percent to 97.1 percent. The comprehensive energy consumption for turning out 10,000 yuan worth of products dropped from 4.67 tons of standard fuel to 4.55 tons. We saved 400,000 yuan worth of products dropped from 218.2 tons to 197 tons. We saved 50 million tons of water, which was nearly the amount of water in the newly-built Tiancunshan water works. We completed 199 key technological transformation projects, making them possible to increase their annual output value capacity to 2 billion yuan.

Second, enterprises changed their product mix to suit market demands. The increase in the production of raw materials in short supply and major consumer goods was fairly big. The output value of light industry increased 5.1 percent and that of heavy industry, 4.4 percent. The light and heavy industries developed in a coordinated manner.

Third, enterprises began to shift from merely developing domestic trade to developing both domestic and foreign trades. The number of export-oriented enterprises rose from 850 in 1985 to 1,050 and the number of export products increased to more than 1,000.

The above-mentioned three changes raised not only enterprises' self-improvement capacity and market competitiveness but also made Beijing's production set-ups and product mix better suit the capital's characteristics.

The good tendency of a stable economic development in the suburbs was maintained continually, and the building of modernized agricultural production bases developed smoothly. In 1986 the total rural product of society reached 9.62 billion yuan, an 8.1-percent increase over 1985. The proportion of industry,

commerce, construction, transport, and service trade rose from 70.9 percent in 1985 to 71.4 percent. Last year the municipality paid attention to the following items of work in the field of developing the rural economy.

First, it stabilized grain production. Despite the deduction of grain growing acreage by 180,000 mu as a result of agricultural structure readjustment, and despite the serious natural calamities in some districts and countries, the total grain output still reached 2.165 billion jin. Although this figure showed a decrease of 1.4 percent from the previous year, the per-unit yield increased by 2.5 kg, setting a record high, thus reaping another bumper harvest.

Second, it strived to increase production of foodstuffs in line with the market need of the capital. The output of vegetables came to 2.23 billion kg, a 9.2-percent increase over the previous year; milk, 146 million kg, a 7.7-percent increase, and watermelons, 325 million kg, a 28.5-percent increase. New progress was made in building bases for producing port pigs, beef cattle, milk cows, egg hens, chickens, fruit and fish, with the variety of foodstuffs increased and the quality improved.

Third, it paid attention to consolidating town and township enterprises, tapping their potential and organizing lateral associations among such enterprises. New progress was also made in the rural industry, construction, transport, commerce, and catering and service trades. The total output value of the township and village industrial enterprises amounted to 4.63 billion yuan, a 14.6-percent increase over the previous year. This has given an energetic support to agricultural development and urban construction.

Fourth, it began to conduct the work of developing and building poverty-stricken townships. All the 34 poverty-stricken townships in the municipality have formulated their plans to end the state of poverty. Departments at the municipal and county levels vigorously supported such townships in the fields of fund, technology, and materials, thus promoting the development of the breeding and cropping industries and town and township enterprises. A total of 106 enterprises at the township level were newly established, which provided jobs for more than 8,800 people. The total income and the net income of enterprises in poverty-stricken townships increased by 25 percent and 75 percent respectively over the previous year. People's living standards were improved.

A relatively great improvement was made in economic results and social benefit of the commercial and service trades, the market was brisk, and the buying and selling flourished. The total value of retail sales amounted to 1465 billion yuan, a 14.6-percent increase over the previous year. If price rises are taken into consideration, the actual increase rate was 7.4 percent. The number of retail shops reached 97,000, an increase of 15,000 or 18.3 percent over the previous year, surpassing the past record. Meanwhile, the municipality newly built 50 agricultural trade markets and more than 1,700 restaurants, restored more than 40 kinds of typical Beijing cuisines, imported a number of typical cuisines of other places, and more than 1,000 kinds of typical cuisines of 26 provinces, municipalities, and autonomous regions were provided in Beijing. The amount, variety, and design of commodities increased remarkably,

and the commodity supply structure was improved somewhat. Some major food-stuffs as vegetables, meat, poultry, and eggs were basically put on market in a balanced manner. Thanks to the deepening of reforms and the strengthening of lateral association, the commodity circulation channels expanded continually, the number of commodities sold by production units themselves and sold through agricultural trade markets increased greatly, and commodities of other places entered Beijing in a steady stream. The sales volume of agricultural trade markets amounted to 630 million yuan, further providing convenience for the masses.

The target on revenues was overfulfilled, and a big increase was effected in various tax revenues. Total revenues came to 6.03 billion yuan, a 4.8-percent increase over the previous year in terms of comparable standards of calculation. Of this, revenues from various taxes increased by 12.3 percent, overfulfilling the plan by 3.4 percent. Total expenditures amounted to 4.43 billion yuan, 96.2 percent of the budgeted figure, and an 18.5-percent increase over the corresponding period of 1985.

Along with the development of industrial and agricultural production and the enlivening of commodity circulation, the economic strength of the municipality was enhanced continually, thus providing conditions for reforming the economic structure and improving the people's living standards.

## 2. A New Situation Was Created in Foreign Economic Relations, Foreign Trade, and Tourism, and a New Advance Was Achieved in Opening to the Outside World

We put an end to the situation in which exports fluctuated around \$600 million for 5 years in a row. The total volume of export commodities of the year was \$724 million, 12.4 percent higher than the state plan, and 16.7 percent higher than the previous year. A very great change took place in the structure of export goods, with the proportion of primarily processed products reducing and that of intensively processed products increasing. Exports of electric and machinery products grew by 66.7 percent, and their proportion in the total exports of the municipality rose from 8 to 12 percent.

Good results were achieved in foreign capital utilization, and in imports of advanced technologies and managerial experiences.

Agreements on foreign capital utilization totaling \$980 million were reached, showing a 9-percent increase over the previous year. Contracts on 96 technology import projects totaling \$192 million were signed. By the end of last year, 189 Chinese-foreign joint ventures, cooperative enterprises, and enterprises run exclusively with foreign investment had obtained approvals, with the transactions totaling \$2.16 billion. Foreign investment in building tourist hotels and other service facilities, and in improving investment environment in the previous few years began to be shifted to building productive enterprises which export their products to earn foreign exchange, and which have advanced technology. Among the enterprises invested by foreign firms approved in 1986, this type of enterprises amounted to one-third, and the agreed transactions increased by 66 percent over the previous year.



Our advantage in tourism was further developed, and a flourishing scene appeared in the tourist industry. Construction of tourist areas and sports, and service facilities developed substantially after the rapid progress made in the previous 2 years. In 1986, 414 hotels and hostels with 55,000 beds were built, and the number of beds suitable for accommodating foreign guests increased from 32,000 to 42,000. The total number of beds of all kinds of hotels reached 370,000, and a network of service system composed of high, medium, and low grade hotels was established in its initial form. The past situation in which tourists slept out in the open in stations and on streets was changed. Development of tourist areas and spots was accelerated, and 166 tourist areas and spots, such as the Great Wall in Mutianyu, were repaired and opened. Rapid promotion of the tourist industry not only provided favorable conditions for international and domestic interflows but instilled new vitality to the economic and social development of the capital. In 1986 the number of tourists from overseas totaled 990,000, a 5.7-percent growth over the previous year, and the foreign exchange earnings totaled \$440 million, showing a 38.9-percent increase, equivalent to 60 percent of the foreign exchange earned from exports of the whole year, and accounting for one-third of the foreign exchange earned from tourism of the country. In addition, tourism provided new employment opportunities. According to incomplete statistics, tourist departments hired more than 5,000 new staff members and workers last year, registering a 9.7-percent increase over the previous year. Tourism became an ever important new industry of the capital.

The investment environment was further improved. Based on the "State Council's Regulations on Encouraging Foreign Investment," the municipal government formulated another 30 regulations to further relax the policies in order to simplify the examination and approval procedures, reduce and exempt taxes, lower fees, and guarantee material supply. It also issued certificates to the first group of 24 enterprises with foreign investment which had advanced technology and which exported goods to earn foreign exchange to ensure preferential treatment to them. At the same time, great efforts were made to expedite construction of communication facilities. Four hundred international telephone lines were built to provide direct circuits between Beijing and more than 40 countries and regions, thus further improving the conditions to absorb foreign firms to invest in Beijing.

### 3. New Changes Took Place in the Outlook of Urban and Rural Areas, and Construction of Urban Infrastructural Facilities Was Intensified

The city planning work began to play its role as a "dragon head," and urban and rural construction was gradually brought to the orbit of the overall planning. In line with the requirement for "eliminating disorder continuously, and irrational distribution emphatically," in 1986 plans for utilization of land of different categories within the scope of 1,026 square km in outskirts areas, and detailed plans for a number of key construction projects and renovated areas were completed, and formulation of plans for 120 scenic spots and relics preservation areas began. Meanwhile, management of plans was strengthened. In the whole year, 2,289 regulation violating cases were investigated and handled, 613 spots of unauthorized buildings totaling 75,000 square meters were dismantled, 110,000 square meters of unauthorized buildings were confiscated, and 1,300 mu of illegally occupied land was vacated.

The municipality focused urban construction on strictly controlling the scale of capital construction, readjusting investment structure, raising returns on investment, and ensuring the construction of key state projects. The investment in capital construction in 1986 reached 5.87 billion yuan, an increase of 8.3 percent over 1985 and lower than the 50.2 percent increase rate of 1985. The number of on-going projects was reduced by 304 and that of newly constructed projects was reduced by 129.

Under the circumstances of having serious strains on capital for urban infrastructural projects, we adopted methods such as saving investment, concentratingly using capital, and inviting bidding for and contracting for the construction of projects so that the pace of construction was accelerated.

Water: The first stage of the ninth Shuiyuan waterworks project with a daily water supply capacity of 1 million tons is under construction. Tongxian and Chengzi waterworks with a daily water supply capacity of 62,000 tons were completed. Practice of economizing on water was firmly grasped. Even though water supply capacity did not increase much, the phenomenon of cutting water supply for high buildings was prevented.

Electricity: Three 10,000-volt power transformer substations in Zishuyuan, Jianguomen, and Beijishi were constructed. This has created conditions for alleviating the strain on power supply. The construction of new generating units of the Shijingshan power plant with 600,000-kilovolt installed capacity is in full swing.

Gas: The construction of coal gas and natural gas pipelines for 105,000 residential households was completed and cooking stoves were installed on them. Of this, 25,000 households have enjoyed gas supply. So far, 87 percent of the total urban residents use gas to cook. Through consolidation, the confused situation of liquefied gas supply was changed and a foundation for gas supply in a sustained and safe manner was laid.

Heating supply: The completion of three boilers covered in the second stage of the Zuojiashuang heat supply plant project made an area of more than 600,000 square meters enjoy central heating. Group heating supply system was equipped for an area of 3 million square meters. About 16 million square meters of areas throughout the municipality enjoy the central heating system and the group heating supply system.

Roads: Six roads totaling 100 km were built or expanded. Five areas with traffic jams were unblocked. Roads in urban areas totaling 200,000 square meters were repaired in large or medium-sized scale. Forty-three trolley buses and bus lines were built or reconstructed, and transportation lines totaling 54.7 km were added. Even though the population and the number of vehicles increased by a big margin, the situation of traffic jams in some areas was alleviated.

Communications and postal service: Telephones were installed at 25,000 urban households and 407 public telephones were set up. The rate of proper delivery of letters within the municipality increased from 63 percent to more than 90 percent daily.

A total of 9.043 million square meters of urban houses were built, nearly 50 percent of the total housing areas in Beijing Municipality in the early post-liberation period, setting a record. Of this, 5.01 million square meters were residences, corresponding to six Jinsong residential districts and 10 times the size of the 6-km residential district in the southern side of Qiansanmeng. Simultaneously, 9,700 rooms considered dangerous totaling 150,000 square meters were repaired and buildings totaling 530,000 square meters were repaired. Houses for primary and middle school teachers totaling 144,000 square meters were built, 2 times more than the 1985 figure and surpassing the original target of 100,000 square meters. The number of cultural, sports, and medical facilities notably increased. Thirty-six hospitals were newly built, expanded, and rebuilt, of which 10 were made available to the users. The total investment in this regard was 100 million yuan. The investment in capital construction on the cultural and educational front was 220 million yuan. A group of key facilities, including an educational television station, were built. A total of 269 nursery schools in urban and rural areas were built and rebuilt. Newly built nursery schools occupied an area of 61,000 square meters and the number of children who were sent to these schools increased by 59,000. Five new stadiums and gymnasiums were built. Of the 27 projects for the Asian games, construction has begun on 8 projects. The municipality fulfilled and overfulfilled the annual plan for the construction of key state projects.

The construction of new rural areas with the focus on market towns was gradually expanded from selected areas to the whole. Such satellite towns as Huangcun, Changping, and Tongzhen began to take shape. Under the guidance of the overall plan, all county towns and a group of market towns which were built on a trial basis improved their appearances to a varying degree. A total of 1,210 residential buildings, covering an area of 379,000 square meters. Newly built public facilities reached 155; thus, the municipality has 360 public facilities occupying an area of 25,000 square meters. New improvement was made in the peasants' living environment.

We continued to develop the work of planting trees and beautifying the environment. During the year, we planted 1.65 million trees in the urban areas and expanded the greening areas by 65 hectares. We planted trees and beautified 20 small residential areas and more than 20 roads in the municipality, with a total length of 40 km. Both sides of the Jingkai and Jingzhang roads and three other trunk roads were lined with trees, totaling 117 km. Peasants afforested 383,000 mu and planted 14.82 million trees around houses and along rivers, roads, and ditches. The "five two-greening projects" (two parks, two streets, two small residential areas, two garden-like units, and two greening units) in eight nearby city outskirts were completed. We built and expanded 19 parks with various distinctive features. Some areas had flowers in three seasons and trees all the year round.

We scored new achievements in protecting and improving the environment. The 12 tasks defined at the beginning of the year had all been fulfilled. We renovated and moved away 77 plants and workshops which caused serious pollution. We completed the second-phase project of using the water diversion channel in Yongdinghe River to stop polluted water, thus improving the quality of drinking water for 10,000 residents along both sides of the river. The projects on



disposing pollutants in 22 hospitals, harnessing 3 polluted rivers and channels, and eliminating smoke and dust in the No. 1 Thermal Power Plant had all been completed. We made a fairly big progress in building 7 garbage storage areas and 8 garbage transfer posts covering a total area of 5,000 mu. During the year, we handled 2.63 million tons of garbage, which was equivalent to the size of Jing hill. We basically fulfilled the task of building 755 projects to comprehensively improve West Changan Street and the gymnasium area in Chongwen District, and completed 8 projects to beautify and make the residential areas clean in Sanlihe and Sanyuanli as well as other places. We further improved the Liiuminying and Yaodian ecological and agricultural experimental units and scored certain achievements in building the forest park project in Daxing County and the project to improve sandy land in Yudai. The capital's ecological environment was further improved.

#### 4. New Progress was made in Developing Educational, Scientific, Technological, Cultural, Public Health, and Sports Undertakings

The socialist modernizations drive can never depart from training personnel and achieving scientific and technological progress. In 1986, the municipal Finance Department provided 830 million yuan of funds for the educational, scientific, cultural, public health and sports sectors, up 19.9 percent over the previous year. The district, county, and township financial departments also allocated a special fund for education. All trades and professions also provided a great deal of manpower, as well as material and financial resources for developing educational, scientific, and cultural undertakings and made positive contributions.

We rapidly developed educational undertakings. During the year, we trained a total of 84,000 persons to make them attain or surpass the secondary vocational educational standards, an increase of 58.5 percent over 1985. The total number of students in institutions of higher learning increased by 5.7 percent. The total number of students in higher educational institutes for adults also increased by a large margin. A total of 870,000 persons participated in secondary and primary technical educational courses and short-term technical training. We continued to develop the secondary educational structural reform and gradually rationalized the enrollment structure of secondary specialized schools, skilled workers schools, vocational middle schools, and ordinary senior middle schools. In order to implement the State Compulsory Education Law, we formulated specific plans for implementing the law in Beijing. The attendance rate to primary schools throughout the municipality reached 99.4 percent. Six counties, including Changping, Shunyi, Fangshan, Pinggu, Tongxian, and Daxing, all placed education under the management of townships. The 10 tangible things which the municipal party committee and government proposed for developing primary and middle schools had all been smoothly implemented.

Promoted by reform, we adapted science and technology to the demands of economic construction as well as urban construction and management. During the year, we succeeded in more than 2,900 scientific research projects, popularized and applied more than 1,400 projects, and increased 1.2 billion yuan of output value and more than 200 million yuan of profits. We ranked first in the whole country in applying for patents and receiving patent rights. At the second

national exhibition on the achievements in scientific and technological inventions, Beijing won 69 prizes, ranking first in China. The "spark plan" had been smoothly carried out in the rural areas. The first group of 193 projects had been implemented and the second group of 200 projects are being implemented. We continued to expand the scope of popularizing and applying computer technology, and markedly strengthened research in soft science. Lateral cooperation between scientific research and production became more extensive. Based on incomplete statistics, Beijing had more than 600 scientific research-production integrated organizations, an increase of 20 percent over 1985. Scientific and technological organizations run by the people developed rapidly. The municipality as a whole had more than 700 collective and individual scientific and technological organs, and 229 specialized technical organizations. Advanced scientific and technological enterprises run by the people represented by the "Jinghai Computer Technology Development Company," and the "Sitong Group Company," which give prime importance to new technology and integrate technology, industry, and trade, scored noticeable achievements.

Better results were achieved in culture, public health, and sports. Under the guidance of the principles of "serving the people and socialism," and "letting a hundred flowers blossom and a hundred schools of thought contend," the vast number of cultural workers created many good works which were well received by the masses. Maternity and child health care, endemic disease prevention, medical treatment, and family planning work developed greatly. Many hospitals set up specialized clinics, advisory departments, and sparetime outpatient departments. Medical treatment organs, large and small, organized 90 medical treatment associations. Marked achievements were scored in the activity of attaining the goal of becoming a city without rat pest, and the density of rats dropped by 95 percent. Mass sports activities were launched continually, and enterprises and institutions made a good beginning in participating in and initiating various sports undertakings. The sponsoring of peasant sports games energetically promoted the mass sports activities in the countryside. Beijing's athletes won a total of 353 gold, silver, and bronze medals at major domestic and international sports events, thus winning glory for the capital.

##### 5. On the Basis of Production Development, People's Living Standard Were Improved Further

According to a sample survey of 1,000 families by the statistical bureau, the 1986 per-capita income of the urban dwellers was 1,067 yuan, a 17.6-percent increase over 1985. Adjusted for price increases, the actual increase rate was 10.2 percent. The per-capita net income of peasants in suburbs was 823 yuan, a 6.2-percent increase over 1985. At the end of 1986, savings deposits of the people in both urban and rural areas amounted to 6.86 billion yuan, 1.69 billion yuan more than the previous year, or a 32.7-percent increase. The per-capita savings deposits of the urban residents amounted to 948 yuan, a 28.5-percent increase over the previous year; and the per-capita savings deposits of peasants, 336 yuan, a 37.1-percent increase. Housing condition for some residents was improved, about 80,000 households moved into new residences, and 100,000 households had their housing difficulties relieved. A total of 16 buildings considered dangerous which had been built during the "Cultural

Revolution" period were removed, and all the 500 households moved into new houses. The social security and the social welfare undertakings also developed. A total of 400 welfare plants were newly established in urban and rural areas, providing jobs for more than 3,000 disabled people. The municipality also newly built 93 aged-people's activity centers, 41 old folks' homes, 15 health recovery clinics, and 82 comprehensive service stations for rendering service to old people and disabled people on a voluntary basis. New headway was made in the businesses of old-age pension insurance, relief to jobless people, personal insurance, property insurance, and social welfare insurance. Owing to the changes in income distribution resulted from reform, the difference in consumption, and the difference in the number of family members under support, a small number of people had their income increased just slightly, or had their actual living standards declined. Such situations should be gradually solved in the future through carrying out reform.

#### 6. The Building of Socialist Spiritual Civilization, Democracy, and the Legal System Was Strengthened Further

Under the guidance of the CPC Central Committee's guiding principle for building socialist spiritual civilization, the municipality implemented the 10 measures formulated by the municipal party committee and the municipal government, thus deepening the idea of simultaneously building spiritual and material civilizations. At the same time, the people became more conscious in upholding the four cardinal principles, safeguarding stability and unity, and adhering to the principles of reform, opening up, and invigorating economy. Along with reform, the municipality extensively and penetratingly conducted a mass discussion on improving service, thus playing a great role in eliminating malpractices among various trades, in improving service quality, and in improving service attitude.

The building of democracy and the legal system was strengthened further. Governments at all levels stepped up the work of receiving and handling letters and visits from the masses. All the 1,462 suggestions, criticisms, and opinions put forward by deputies to the municipal People's Congress session have been handled. The 760 motions raised by members of the municipal CPPCC Committee have been handled by 98 percent. People's deputies, CPPCC members, and specialists and scholars of various scientific and technological associations have played an important role by offering suggestions and thinking of ways for the construction of Beijing. The 700 advisers invited by the municipal government participated in the advisory work for making various important decisions and policies, thus making valuable contributions to the modernization of Beijing. Urban construction and management were brought into the orbit of the legal system. Last year the municipality formulated a total of 96 administrative rules and regulations, and promulgated 6 local rules and regulations which were examined by the municipal People's Congress Standing Committee. By the end of last year, the municipality's laws and regulations in force had totaled 315. The situation in which there was no law to abide by was eliminated initially, and the situation in which laws were not abided by or strictly enforced was changed. The education in the knowledge on laws extensively conducted among government personnel and all citizens helped increase the initiative of government personnel in acting according to law,

and enhance the masses' sense of the legal system and make them aware of the way they are expected to conduct themselves as citizens. The extensive patriotic united front was further developed, and the relations of various democratic parties and nonparty democratic figures to the communist party and government who had worked cooperation for a long period of time, and the relations of equality, mutual assistance, and close cooperation among various nationalities throughout the municipality were strengthened. Public security and social order of the capital showed further improvement thanks to strict blows to economic and other crimes, comprehensive measures for tackling public security problems, and conscientious correction of various unhealthy trends. The hard work of law enforcing personnel, in particular the masses of public security cadres and policemen, armed police forces, and garrison units, won the respect of the people.

At the end of last year, a serious incident in which a small group of students of a few institutes of higher learning took to the streets to rally occurred due to the influence of the ideological trend of bourgeois liberalism plus the incitation of a small group people with ulterior motives. Under the leadership of the party, government organs at various levels, various institutes, and relevant departments conscientiously implemented policies, worked strictly according to law, actively intensified education and guidance, and conducted a great amount of thoroughgoing and painstaking ideological and political work, thus enabling the incident to subside very rapidly. Conscientiously implementing the "Several Provisional Regulations on Parade and Demonstration" formulated by the municipal People's Congress Standing Committee, governments at various levels played an important role in protecting the just democratic rights of citizens and safeguarding the capital's political situation of stability and unity.

Fellow deputies!

Achievements in the past year fully proved the total correctness of the line, principles, and policies adopted since the 3d Plenary Session of the 11th Party Central Committee. Practice enabled us to profoundly understand that we should unswervingly uphold the four cardinal principles and safeguard the political situation of stability and unity if we are to ensure the continuous progress of the modernization of the capital. The progress in the various undertakings of the capital in 1986 was attributed not to the "great democracy," but to the unity, arduous struggle, and hard work of the people of various nationalities throughout the municipality under the leadership of the party. We will succeed in nothing without upholding the four cardinal principles, the communist party leadership, and the political situation of stability and unity. The people desire stability and reject chaos. Chaos and instability not only impede the smooth progress of reform but also affect the stable development of the economy, and, fundamentally speaking, go against the interests and will of the masses. Therefore, we should wage resolute struggles against any acts which undermine the stability and unity of the capital.

To facilitate the modernization drive of the capital, we should adhere to the principle of reform, opening to the outside world, and enlivening the domestic economy. Last year, a very important reason for our substantial progress in



our construction was our implementation of the State Council's principle of "consolidation, assimilation, supplementation and improvement," and our efforts to deepen the reform, open ourselves wider to the outside world, and develop the planned commodity economy. Proceeding from the reality of Beijing, and focusing on the central link of invigorating enterprises, we separated ownership from operation in an appropriate manner, and pushed the economic structural reform continuously forward in the course of explorations. Enterprise's external conditions improved, and its internal mechanism was strengthened, thus boosting the enthusiasm of its managers and producers. The rural output-related contract responsibility system characterized by the combination of unified and decentralized management was further improved, and rapid development was achieved in the system of contracting for specialized production, and the production of a proper scale. State large and medium-sized enterprises developed and perfected the economic responsibility system in its various forms. The leasing system was started and popularized first at small state enterprises, and is now being tried out at some small industrial enterprises. The small number of small state commercial and service enterprises experiencing a depressed state for a long period of time were resold. Some enterprises followed the stock-sharing system on a trial basis. Implementation of the plant directors (managers) responsibility system was expanded from selected state enterprises to all based on implementing it in stages and by groups. The number of state enterprises that carried out the system increased from 155 to 255. Individually owned small enterprises and peddlers' businesses developed rapidly. The number of employees increased from 134,000 in 1985 to 144,000. Lateral economic cooperation between different departments, between different trades, and between different areas rapidly developed. The municipality also began a group of associations that use a coordinated process of production, marketing, and raw materials supply and focus on producing famous-brand quality products; and a group of scientific and technological associations where education, scientific research, production, and marketing are linked with each other. Through cooperation, enterprises made the most of their potential, enhanced their competitive ability, raised their economic results, and promoted production development. The departments in charge of overall economic work also conducted a series of reforms in coordination with the enterprises' reform. Money markets, technological markets, and labor service markets began to take shape. The municipality is enthusiastically making preparations to build markets for the means of production. In line with relevant principles and policies of the Party Central Committee and the State Council, we have formulated a series of measures to open to the outside world and a series of encouragement measures for exports and to bring in foreign capital. The municipality made the most of its advantages as the capital to enthusiastically improve the investment environment so that international friendship exchange activities would further expand and develop. Such a series of measures to conduct reform and open to the outside world has vigorously pushed all undertakings forward.

As the capital of the great motherland, Beijing cannot build or develop itself without the leadership and concerns of the CPC Central Committee and the State Council; without the support and assistance of the central organs and the PLA units stationed in Beijing, and the brotherly provinces, municipalities, and autonomous regions; and without the support and concern of all democratic parties, trade unions, CYL organizations, women's federations, and all fronts.

Simultaneously, Beijing's construction and development also enjoy the concern and cooperation of foreign friends, overseas Chinese, and compatriots in Taiwan, Hong Kong, and Macao. Serving the central authorities, promoting contacts with the people at home and abroad, and serving the people of Beijing Municipality is our purpose and our duty. The better we perform the service, the more support and we will enjoy. Since last year when we began to enhance our contacts with other provinces and municipalities, we have held a series of talks with various central departments. Thus, not only have they enhanced understanding of Beijing Municipality, but we have also enjoyed their support and assistance. Through talks, we have come to realize where we lagged behind in our service work and what we should do to improve it. Thus, such talks must continue to be held in the future. Undoubtedly by no means could the capital achieve today's modernization progress if there was not the support and assistance of all fronts. Here, I, on behalf of the municipal government, express thanks to the personages of all professions and trades who have made contributions to the capital's construction; and express heartfelt thanks to those units that have enthusiastically supported and assisted in the work of Beijing municipality, including the central departments and PLA units stationed in Beijing; brotherly provinces, municipalities, and autonomous regions; and all the democratic parties, mass organizations, compatriots in Taiwan, Hong Kong, and Macao, overseas Chinese, and foreign friends.

District, county, and township governments and neighborhood committees should enthusiastically bring their roles into play to effectively implement the mass line of urban construction. Thus, the situation in which the municipal government exercises excessive centralization of state power must be changed. We must appropriately divide and delegate power to lower levels so that governments at all levels will link their rights with duty and interests. From 1981, the municipal government carried out the financial responsibility system successfully in districts and counties. Last year, the municipality also delegated to districts and counties the rights to plan and to manage retail businesses and catering, service, and repair trades. Township financial departments have generally been established. The construction of neighborhood financial departments has been carried out on a trial basis among the districts on the outskirts of the municipality. Human rights and rights to manage materials were also readjusted and delegated to a certain degree. Changes have gradually taken place in the municipal government's previous over-rigid management and in the situation in which "the municipality administered affairs related to persons and materials while districts administered matters that concern dirty environment, disorder, and poor service." With a certain degree of rights to administer personnel and financial affairs and rights to manage materials, county and township governments initially aroused the enthusiasm of the people of all nationalities and all departments throughout the municipalities to engage in developing the capital. Thus, more concrete deeds were accomplished and the pace of development of the capital was accelerated.

A change in the workstyles of various government organs, improvement of leadership methods, and efforts to overcome bureaucracy are always very important issues in our endeavor to successfully carry out our work. At present, reforms in various fields are developing over the course of exploration, new and old systems exist simultaneously, and the work in various fields is very difficult.

A lack of coordination in any link will often affect the normal operation of the entire mechanism. Therefore, conscientiously improving the workstyles and work methods of various government organs and leading cadres is an important issue that decides the success or failure of reforms and modernization. The smooth progress of Beijing Municipality's reform and construction last year was inseparable from its efforts to conduct party rectification and correct the unhealthy trends of recent years. In reform, we have emphasized that leading persons at various levels should go to the frontline, personally attend to the work of selected units, and promote the work of the entire area with their experience. We established a strict responsibility system in various committees, offices and bureaus of the municipal government, assigned to every responsible person tasks in line with the annual work plans, paid close attention to their fulfillment, and ensured that "plans were worked out at the beginning of the year, progress was examined in the middle of the year, and achievements were appraised at the end of the year." In carrying out day-to-day work, we stressed the need to earnestly give heed to the opinions and voice of the masses, took the initiative in solving the problems that the masses wanted us to solve and we were able to solve, and paid particular attention to the opinions of the people's deputies, CPPCC members, various democratic parties and mass organizations, experts and scholars. In this way, we avoided, reduced, and corrected many mistakes.

While affirming our achievements, we should remain clear-headed to see the great differences and serious problems in the various fields of our work. The more conspicuous differences and problems were as follows:

- 1) The urban population continued to swell. The scale of population is a fundamental factor to restricting the development of a city. Last year, the net increase of the population was 133,000, including the mechanical increase of 62,000. If the population grows at such a rate of speed, the permanent population of the municipality will exceed 10 million by the first half of 1989, and the series of social and economic contradictions of the capital will become more conspicuous, which will bring more pressure to the construction and development of the city. A method to control population growth is being worked out, and will be put into effect after approval by the State Council is obtained.
- 2) The capital construction front was overextended, too many projects were under construction, and the situation of poor returns from investment had yet to be fundamentally changed. In 1986, construction of 27.61 million square meters of houses throughout the municipality was begun or continued. Such large-scale construction was rare among the large cities of the world. The construction period of many projects was lengthened due to a lack of funds and materials. Some projects built in a rash manner were not only of low quality, but also imposed more strain on the supply of raw materials, thus causing abnormal price hikes, which was very detrimental to ensuring the construction of key projects.
- 3) Construction of infrastructural facilities still failed to meet the needs of the rapid development of the city. Although construction of infrastructural

facilities had developed fairly rapidly for several years, it still fell short because financial and material resources were limited, the construction period was rather long, and new demands had arisen. Last year more than 400,000 square meters of completed houses could not be commissioned due to a lack of water, electricity, gas, and heat supplies. The insufficient water resources of Beijing Municipality was all the more a serious problem that threatens the future development of the city.

4) The housing supply remained a very conspicuous problem of urban residents. Although a great number of houses have been built over recent years, there are still 400,000 families that face difficulties of varying degrees in the housing supply because of inordinately rapid population growth, inadequate housing construction funds, and irrational distribution systems. More effective measures are necessary to gradually resolve this serious contradiction year after year.

5) Commercial and service trades still could not meet the needs of society and the people's lives. Thanks to efforts in many fields, the number of our commercial and service shops rose to an all-time high. However, the number of shops per 10,000 people was still lower than Shanghai and Tianjin, and the irrational geographical disposition of these shops called for further improvement. Service attitude and service quality showed improvement, but they still lagged far behind the need of the municipality as a national capital and the people's demands.

6) The work of city management was still incompatible with the rapidly developing situation. Management of many areas remained very poor; some necessary rules and regulations were not established or improved; and a phenomenon in which laws were not abided by or strictly enforced, no one held responsibility, and people made things difficult for one another still existed in some fields.

7) Extravagance and waste in economic life were very serious. Many enterprises surpassed the state-assigned quotas in terms of energy and raw materials consumption. Quite a few departments and units indulged in ostentation and extravagance, competed with each other in seeking luxury, and spent money wastefully, thus increasing administrative expenses rather than decreasing them.

8) Quite a few problems still existed in ideology and the workstyle of government functionaries. Bad workstyle, insufficient investigations and study, and the lack of foresight have led to mistakes in some work. Meanwhile, organizations were overstaffed and their workstyle was dilatory. Some government functionaries were irresponsible in their work, and their work was inefficient. A few leading cadres still acted as lords and masters and were not concerned about the weal and woe of the masses.

Great attention must be paid to the aforementioned problems, and some measures should be adopted to gradually solve them. I hope that fellow deputies and the vast number of masses will conduct supervision at any time, offer criticisms and suggestions for correcting our mistakes and defects, and help us do our work still better.



## II. Fighting Goals and Major Tasks for 1987

In 1987 we should concentrate our efforts on two events in line with disposition of the CPC Central Committee and the State Council. First, we should penetratingly conduct propaganda and education on the four cardinal principles, and resolutely oppose bourgeois liberalism in the political and ideological spheres to further consolidate and develop political stability and unity. Second, we should adhere to correct construction principles, deepen structural reform, and expand the scope of opening to the outside world economically to ensure protracted and steady development of the national economy as a whole.

In line with this general demand, and in light of Beijing's actual condition, we should set the fighting goals for the 1987 economic and social development as follows:

We should effect sustained and steady economic growth. The total industrial and agricultural output value should reach 38.3 billion yuan, a 4.7-percent increase over 1986; the gross national income, 30 billion yuan, a 7.1-percent increase; the national income, 2.25 billion yuan, a 7.1-percent increase; and financial revenues, 6.336 billion yuan, a 5-percent increase.

Industrial production departments should give priority to improving economic results; should grasp the readjustment of production structure and product mix; should accelerate the development of those trades suitable for the salient characteristics of the capital; should strive to increase the production of readily marketable products; and should strive to improve the quality of products. Total output value should come to 3.35 billion yuan, a 4-percent increase over 1986. The profits and taxes delivered to the state should increase by 4 percent. Efforts should be made to improve efficiency and the growth rate in a coordinated manner.

The countryside should continue to implement the principles of "serving the capital, making the peasants prosperous, and building new modernized socialist villages;" and should firmly grasp grain production; should continue to strengthen the building of foodstuff bases; should further develop town and township enterprises; should accelerate the specialization, commercialization, and modernization of the rural economy; and should lay a good foundation for quadrupling the 1980 industrial and agricultural output value of the countryside by 1990. The 1987 total social product of the countryside should increase by 10 percent, and the total income of town and township enterprises should increase by 14 percent. In addition, we should increase input in grain production, strictly control the arbitrary occupation of cultivated land, and definitely stabilize gross grain output at about 2.1 billion kg.

We should accelerate the development of tertiary industries; continue to maintain the prosperity and stability of the urban and rural markets in the capital; and further improve service quality. Based on stabilizing the existing markets, we should establish an additional 10,000 markets, which will make the total number reach 110,000 and make the distribution and structure of markets more rational. The total value of retail sales should reach 16.1 billion yuan, a 10-percent increase over 1986.

We should actively develop foreign economic relations and trade as well as tourism. Foreign exchange earned from exports should reach \$750 million, and still greater development should be accomplished in productive items that use foreign capital. Foreign exchange income from tourism should reach \$450 million.

We should continue to strengthen the construction of infrastructures, including water, power, gas, and heat supplies; telecommunications; and roads. We should speed up the first-phase project construction of the No. 9 Shuiyuan water works and the expansion project of the Shijingshan power plant. We should increase central and group heating areas to 2 million square meters, supply gas to 90,000 families, and increase the number of telephone users to 26,000. We should speed up the first- and second-phase expansion project of the Jingshi Highway and the construction of subway tracks for backing trains, renovate and widen 39 roads, and strive to further improve traffic in urban areas.

Based on strictly controlling the scope of investment in fixed assets, we should guarantee the construction of key projects. We should strive to build all kinds of houses with a total area of 8 million square meters; and complete the construction of the Beijing library, the central color television center, the main structure of the scientific and technological information center, and key state and Beijing municipal projects such as the Yanshan cement plant. We should also grasp the construction of all Asian Games projects, and conscientiously maintain the style and features of an ancient city during the course of urban construction.

We should plant trees, beautify, and comprehensively improve the urban and rural environment. In addition to paying attention to economic results and social benefits, we should also pay attention to environmental benefits while building various types of projects, and integrate the three together. In urban areas, we should plant 1.2 million trees, 1 million square meters of grass, and 350,000 flowers. In suburban areas, we should plant 10 million trees. It is necessary to do a good job in key tree-planting projects along some roads, such as the Erhuan road, and in 10 parks and 15 small residential areas, and solve the pollution problems of 60 plants and workshops that disturb the people. Along with the construction of the Asian Games projects, we should improve two districts and build six low-noise areas. We should also build agricultural and ecological projects, such as protection forests around the Miyun reservoir, so as to unceasingly improve the environment of the capital.

We should fully display the scientific and technological superiority of the capital, and promote integration among science, technology, and economic construction; and among urban and rural construction and urban management. We should continue to implement the "spark plan," and begin to implement plans to apply technology toward invigorating industry, such as grasping 10 or so technological transformation projects among various trades, organizing 100 scientific research and production associations, studying and popularizing 1,000 technological research projects, and developing 10,000 new products.

Meanwhile, active efforts should be made to organize scientific research projects and systematically develop them so that they can be used in urban

construction and management. We should concentrate efforts on grasping six coordinated research projects to save water and build a group of experimental units for applying and developing advanced technology.

We should persist in placing educational undertakings in an important strategic position. In cities and towns, we should realize 9-year compulsory education, further improve teaching conditions, and build 10 buildings for primary and middle schools such as the No. 4 Beijing middle school. A number of primary schools should be rebuilt or expanded so as to prevent a shortage of classrooms which may emerge during a time when there are too many students. We should make continued efforts to develop child-care undertakings and conduct specialized education for disabled and mentally-retarded children. Efforts should also be made to run higher educational institutes and all kinds of educational institutes for adults, and to strengthen the ranks of teachers. We should further develop cultural, public health, and sports undertakings, build a number of hospitals, and strive to increase 1,200 hospital beds during the year.

Along with development in production and improvements in economic results, we should further improve the material and cultural lives of the people in the capital. During the year, we should build 4.5 million square meters of residential houses, and try our best to solve the housing problems of some people. We should continue to do a good job in grasping prices, and managing markets in an effort to safeguard the interests of consumers.

To realize the aforementioned targets and to make the capital's four modernizations advance continuously along the path defined in the "four directives," and "ten instructions" issued by the central authorities, in 1987, we should emphatically grasp well the following four tasks:

1. Resolutely reduce the scale of investment in fixed assets and ensure the construction of key projects and urban infrastructural facilities.

A prominent problem that crops up in urban construction at present is that the scale of investment in fixed assets is unduly large. Despite the capacity of financial and material resources, many departments and comrades set excessively rapid demands on development speed and improvement of features and excessively urgent demands on improving living conditions due to their failure to understand the entire situation or think of questions in line with the entire situation. Changing the backward situation as soon as possible and building Beijing into a first-class modern city of the world at an early date is our common aspiration. To realize this aspiration, we must proceed from reality and conduct construction in line with the scale of construction and objective laws suitable to our national power. However, we must know that as China is a developing country and the capital's modernization is being carried out amid the extremely difficult situation of transforming an old city. Although great development has come about in our economy over the past few years, national per capita income is still very low. Thus, the financial and material resources that can be concentrated on construction are limited. Construction projects must be arranged in line with the municipality's capability and in order of their importance and urgency. Good deeds cannot be done in one short day, although they must be done. We need a rather long construction period to

accomplish these projects even if we have money. The idea of catching up with the level of cities of developed countries is unrealistic.

In line with the arrangements of the CPC Central Committee and the State Council, this year the municipality should resolutely implement the principle of ensuring key, planned, and productive construction projects and stopping the construction of ordinary, unplanned, and nonproductive projects. In 1987, the municipality plans to invest 8.5 billion yuan in fixed assets, a drop of 10.1 percent from last year. Of this, local investment was reduced by 20 percent. Housing construction area, including both newly started and continuing projects, is limited to 26 million square meters, a drop of 5.8 percent from last year. Such arrangements have been made with our greatest efforts in line with the municipality's financial and material resources, water sources, energy resources, and transportation conditions.

While reducing the scale of investment, we must attach prominent importance to ensuring key construction projects. First, we must continue to attach primary importance to the construction of urban infrastructural facilities; and to accelerating the construction of water, power, gas, and heat supply facilities and communications projects and roads. Second, we should ensure key state construction projects, pay particular attention to ensuring that all facilities for the Asia Games are available to users by 1989. Third, we should firmly grasp the construction of a group of key technological transformation projects and the development of industrial enterprises with the focus on the production of products in short supply. Fourth, we should strengthen the construction of residences, and cultural and educational, public health, and sports facilities.

To ensure priority construction, all fronts should take the entire situation into consideration and conscientiously implement the following few measures: First, strictly control new projects. No new projects must be started, except for those particularly urgently needed, during the first half of this year. Second, conscientiously sort ongoing projects. The construction of ordinary processing industries and nonproductive projects not urgently needed at present must be resolutely stopped or delayed. Projects that can be constructed should be subject to strict examination in line with construction standards. Third, banks should strictly control allocations and loans for unplanned construction projects. Fourth, reform the system of decentralized construction planning and expand the proportion of overall development and construction. We should rely on a unified construction plan to continue improving the situation of "arbitrarily" engaging in construction and further improve the "decentralized" construction situation; and should link the work of reconstructing all the streets of the old city with the work of developing and constructing new districts in an effort to make new strides toward overall planning and making a plan, development, construction, and management. Fifth, we should draw up an earlier, detailed plan for making explorations and designs for key construction projects. The construction of key projects, the earlier-stage preparatory work for which is not fully set, must not start at all. Sixth, we should adopt various ways, such as issuing bonds, to concentrate non-budgetary funds on urban infrastructural projects. Simultaneously, we should enthusiastically buy bonds for key construction projects issued by the state and key



enterprises to ensure the construction of key state projects related to the entire situation.

2. We should launch an extensive and in-depth campaign to increase production, practice economy, increase revenues, and reduce expenditures.

Carrying out the campaign to increase production, practice economy, increase revenues, and reduce expenditures in all trades and professions is an important magic weapon in China's economic construction. In the new situation in which the production and construction scales are continuously expanding and the policy of reform, opening to the outside world, and enlivening the domestic economy is being implemented, this magic weapon, instead of being cast away, should all the more play its important role. Ours is a country with a large population, a poor foundation to start with, a low scientific and technological level, and low labor productivity. As we are in an initial period of socialist modernization, numerous tasks remain to be undertaken, but there is a considerable shortage of manpower, funds, and material resources and the general social supply lags far behind the general social demand. We should clearly understand our national situation and greatly carry forward the spirit of working hard with a will to make the country strong and pioneering a cause through arduous efforts. The idea of plain living, arduous struggle, and building up the country through thrift and hard work among our cadres and people has become weakened instead of being strengthened. Comrades of some localities and departments blindly pursue high-standard construction and modern facilities. Some enterprises and establishments interpret development of production as starting new products and adding new equipment; are very enthusiastic in asking for money and loans from financial departments and banks; and give little thought to how to use their existing financial and material resources rationally, fully tap their potential in various fields, do more work with as little money as possible, carry out work more successfully, and provide more accumulation to the state. Many production enterprises pay little attention to economic accounting, slack off in management, create low labor efficiency, consume large amounts of materials and energy, turn out poor economic benefits, and cause appalling waste. For this reason, a great advocacy of the spirit of plain living, arduous struggle, and building up the country; all causes through thrift and hard work; and extensive, in-depth, and long-term implementation of the campaign to increase production, practice economy, increase revenues, and reduce expenditures not only can enable us to rationally and effectively utilize our limited social and natural resources and have an important immediate economic significance in eliminating the current shortage of financial and material resources, but also can represent a long-term policy for carrying forward the fine traditions of the Chinese nation and consolidating and developing the excellent situation in modernization. We must exert great efforts to grasp them successfully and persistently.

In carrying out the campaign to increase production, practice economy, increase revenues, and reduce expenditures, we should grasp major areas and stress real effect. In the production sphere, the major areas are to readjust the production setup and product mix, strengthen enterprise management, promote technological progress, develop comprehensive utilization, upgrade quality, lower consumption, economize on various spendings, and improve economic results through deepening enterprise reform.

To suit the changes in market demands, industrial enterprises should further tap internal potential, upgrade and update their products at a quicker pace, and produce more consumer goods that are scarce in markets and the products that are urgently needed in state construction. We should actively develop the production of import substitutes, increase the proportion of goods produced at home, and change as quickly as possible the situation in which some enterprises sustained their production by relying on the spare parts bought with foreign exchange. We should strive to reduce our annual energy consumption for per 10,000 yuan of output value by 2 percent, our administrative funds by 10 percent, our deficits by 30 percent, and the number of days for circulation of a fixed amount of funds by 2 to 3 percent and to increase our per-capita productivity by 3 percent.

In line with the market demands of the capital, rural areas on the outskirts of the municipality should produce more vegetables, nonstable foods, dry and fresh fruits, and other readily marketable products. Because grain production is a major issue concerning the overall interests, we should ensure its stability by improving the contract purchasing system, intensifying technical service, and increasing input. Township enterprises should expand production both by adopting new technology and tapping potential and by increasing equipment and workshops, pay attention to the production of key enterprises, produce more readily marketable and highly competitive products, strive to reduce consumption, and practice economy.

Commercial enterprises should actively organize sources of commodities which are readily marketable, conduct various forms of marketing activities, accelerate commodity circulation, reduce stockpiling and waste of goods, and cut the circulation charges by 2 percent.

All professions and trades should vigorously conduct waste recovery, the repairing of old products, and comprehensive utilization. In both production and livelihood spheres, special attention should be paid to saving water, electricity, and gas. Still stricter rules and regulations should be formulated to ensure efficiency in saving energy.

In the field of urban construction, some projects have had too high construction standards, have had confused management, and have been extremely wasteful in using materials. In 1987 we should conduct a reexamination of the state and the municipal key construction projects in order to overcome the situation in which "key construction projects waste materials more seriously." Construction enterprises should stabilize and develop the achievements scored in enterprise consolidation, try every possible means to shorten the construction period, raise the completion rate and construction quality, improve reward methods for material conservation, lower the construction cost, and economize on construction investment. Those enterprises which willfully expand the construction scale, presumptuously raise construction standards, and squander and waste investment should be called to account and strictly punished.

All professions and trades, state organizations in particular, should be resolute in curtailing administrative expenses. Except for the expenses involved with price subsidies, pensions for the disabled or for families of

the deceased, and the social welfare service, which are necessary, expenses in other fields should all be curtailed in varying degrees. We should also advocate the idea of doing everything through thrift and hard work and handle affairs in a better way. The State Council has decided that this year the amount of administrative, institutional, and management expenses should be curtailed by 10 percent from the actual amount last year. This must be attained through great efforts. We should strictly control the establishment of organs and the number of staffs, and the number of above-quota staff members should be reduced. Before an organ is streamlined, only its poll wages should be ensured, and no administrative expenses should be issued. We should strictly control the institutional purchasing power. Stricter control should be exercised over those high-grade commodities under special state control. Meeting expenses, allowances for business trips, and institutional expenses should be resolutely curtailed. It is strictly forbidden to make a trip at public expense and to apportion meeting expenses. From now on, the units with persons who have made trips at public expense without the approval of higher-level responsible departments should not submit their expense accounts to the treasurer's office.

Increase in the consumption fund have outstripped increases in the national income and labor productivity for many years in succession, resulting in a hasty growth of the consumption demand and consumption lust among the people who have sufficient purchasing power. This is a problem which merits our attention. Some organs, establishments, enterprises, and social groups have vied with one another in displaying their wealth, seeking luxury, and squandering public funds, thus creating a luxurious atmosphere. Despite their financial situation, some comrades have adhered to high standards in terms of food, clothing, housing, and daily necessities; to extravagance in holding wedding and funeral ceremonies; and to high standards in giving gifts and banquets. Such an abnormal situation should be corrected through in-depth ideological education. The public allocations of various organs, groups, enterprises, and institutions must be strictly controlled, instead of being wasted. Appropriate guidance should be given to the individual consumption of the masses. To improve one's living standards through hard work should be taken for granted. However, we should never blindly compete with each other to pursue a high consumption level. If we ask the state to spend limited funds on consumption in an excessive manner, and if the increase in wages outstrips the increase in labor productivity, our production will certainly shrink, the pace of the modernization drive will certainly show up, and, ultimately, the constant improvement of the people's living standards will certainly be hampered.

We have great potential in increasing production and practicing economy and in increasing revenues and cutting expenditures. On the one hand, our financial and material resources are insufficient, and, on the other hand, the situation of indulging in waste is very serious. Last year although there were not many newly added production capacities, our economic efficiency was very good. An important experience is that we paid attention to tapping potential and practicing economy. In this regard, we must have feasible measures and be meticulous in making plans and arrangements. All enterprises and institutions should work out feasible plans for increasing production, practicing economy, increasing revenues, and cutting expenditures in combination with reform and should mobilize the masses to conduct discussions on this issue.

One of the best ways to practice thrift is to learn from the advanced and to find out where we are lagging behind. Under the same given conditions, the part we lag behind in is our potential. All trades and professions should compare their own trade with the advanced units, formulate targets to surpass them, raise the management level, improve the method of awarding those who practice economy, consider the method as part of the responsibility system, and set the time to fulfill targets. We should actively promote advanced experiences; extensively conduct activities on offering rational suggestions; commend the units and individuals that score outstanding achievements in increasing production and practicing economy and in increasing revenues and reducing expenditures; criticize and strictly punish those persons who should be held responsible for waste; and develop the campaign in an extensive, thoroughgoing, and sustained manner.

3. We should focus our work on invigorating large and medium-sized enterprises and deepen all kinds of reforms.

Making continued efforts to deepen economic structural reform and all other reform and to promote long-term, steady economic development is a principle which we must firmly adhere to while promoting socialist modernization. Our economic structural reform must meet the needs of developing the planned commodity economy based on public ownership and must be centered on strengthening the vitality of enterprises and improving market systems and macroeconomic management systems. The main task of reform is to strengthen enterprises' vitality, particularly large and medium-sized state enterprises, and to enable them to gradually have conditions and the ability to operate business independently; to take responsibility for their own profits and losses; and to accumulate funds, develop, and restrict themselves independently. This is the starting point and the standpoint of the economic structural reform. We should base our work on these two points and deepen reform internally and externally. We should first grasp the crucial point of separating enterprise ownership from the operational right, conscientiously solve problems concerning the operational mechanism of enterprises, and let the dealers have full authority for operation and management. Large and medium-sized state-run industrial and commercial enterprises should continue to develop and improve all forms of the operational contract responsibility system and place emphasis on invigorating 100 large and medium-sized state-run industrial enterprises. Based on different conditions, all enterprises may choose the most effective form of the operational contract responsibility system created by the masses during recent years or create a still better form. On the basis of improving the method of fixing the amount of wages for every 100 yuan worth of finished work, construction enterprises should gradually promote the project contracting and bidding systems and fix small accounting units. Generally, small enterprises may also implement the leasing and contract responsibility systems. All money-losing or low-profit state-run enterprises may also selectively conduct experiments with the leasing system. Small money-losing enterprises with little capital may sell their shares. We should continue to consolidate, improve, and develop the supply and marketing cooperatives and reform the structure of the vegetable producing and marketing units. Meanwhile, we should speed up the reform of the enterprise leadership system; continue to implement the three work regulations concerning the plant directors (managers) of state-run



enterprises, grassroots party organizations, and the workers congresses; universally popularize the plant director (manager) responsibility system; gradually implement the system of fixing the responsibility of plant directors (managers) during their term of office and the end-of-term auditing system; make the responsibility, rights, and profits well coordinated; and genuinely implement them among the enterprises operators. We should realistically strengthen enterprises management, improve and develop the economic responsibility system at all levels and in all work posts of enterprises, improve the enterprises' distribution system, award the diligent and the outstanding and punish the lazy and the bad, resolutely break with the practice of "eating from the big common pot," and further spark the socialist enthusiasm of the broad masses of workers and staffers. The wage and bonus distribution forms and methods of enterprises should be determined by enterprises within the quota limits set by the relevant departments. The urban collective enterprises and the township enterprises should break with the present practice of not drawing a distinction between the functions of the party, government, and those of enterprises in line with the principle of separating the ownership from the power of operation; improve all forms of the contract system; and selectively popularize the leasing system.

Consolidate and develop lateral economic cooperation of various types and encourage the establishment of associations and groups of enterprises. Emphasis must be placed on vigorously developing economic associations in which productive forces are reasonably displayed and factors for production are well coordinated, in which scientific research and production are closely linked, and which have targets for consolidating and expanding bases that can create foreign exchange through exporting farm and sideline products and raw materials for industrial use. Lateral cooperation between different regions, between different trades, and between state, collective, and individual enterprises should be enthusiastically supported and encouraged. Special attention must be paid to bringing Beijing's advantages in science and technology into play. Production, circulation, urban construction, and operational departments should initiatively establish contacts with higher educational institutions and scientific research units to establish, in line with the principle of voluntary participation and mutual benefits, associations and groups of enterprises with large key enterprises as their main body, with science and technology as their guide, and with the focus on developing products with competitiveness. With approval, lateral enterprise associations are allowed to carry out the shareholding system on the premise of continuing taking public ownership as their main body and not damaging state interests. Lateral economic cooperation must be consolidated and developed in line with the principle of voluntary participation but not in line with the procedure where administrative departments act as a go-between. All units that participate in cooperation should have sincerity and faith; willingly yield profits, rights, and a good name to others on the premise of equality and mutual benefits and with an aim of scoring greater economic results; and be farsighted in eliminating selfish departmentalism. Attention should not be paid to developing groups of enterprises into administrative companies or government administrative organizations.

No matter what forms the enterprises may take for reform, they should focus their reform work on the goal of arousing the enthusiasm of managers and

producers to raise economic results on the basis of taking into consideration the interests of the state, enterprises, managers, and laborers. In conducting reform, enterprises should ensure both the current production and far-reaching development and take into consideration both the current and reserve strengths and both investment and production in order to create conditions for realizing a benign cycle. Contract bases and growth rates must be defined in accordance with enterprises' different actual conditions and on the premise of "whipping the cattle that are ploughing slowly, pushing forward the cattle that are ploughing in a moderate manner, and encouraging the cattle that are ploughing rapidly" and of not supporting the poor or protecting the backward at the expense of the rich. With regard to the distribution of interests, we must ensure that the state obtains a large portion of the benefits as well as cares for the interests of the enterprises, staff members, and workers. All enterprises, including large, medium-sized, and small enterprises and state and collective enterprises, should focus on studying ways to improve the enterprises' inherent mechanism, but must not merely rely on enjoying reduction of prices of products to enhance their vitality. Enterprises will attempt nothing even with better inherent conditions if they fail to strengthen inherent management, conduct reform, or tap their potential. Judging from the overall economic situation of the country, we know that measures for reducing taxes and yielding profits to others cannot be implemented on a larger scale. Thus, we must take the road of deepening inherent reform and tapping potential.

A group of individually owned industrial and commercial households have emerged thanks to the reform over the past few years. They have played positive and supplementary roles in enlivening the economy of the capital. In line with policies, law, and regulations, we must consciously protect their legal rights, help them to solve their difficulties, and encourage them to continue to develop. Simultaneously, we should strictly strengthen management and resolutely handle, according to the law, the small number of illegal businessmen.

Further improving the enterprises' external environment is an important condition for enlivening enterprises. This year, we must emphatically conduct reform in four fields in service of enterprise reform.

First, we should gradually set up and perfect the market mechanism to provide a fine market environment for enlivening enterprises. After the enterprises' management and decisionmaking rights are expanded, they will have conditions for relying on scientific calculations, planned guidance, and market information to readjust production and circulation fields. In order to suit the needs of such a changing situation, enterprises must accelerate the pace of reforming the circulation system, the state wholesale commercial system in particular; develop trade centers into permanent, future markets; set up a wholesale system in which circulation and production are closely linked and in which high efficiencies and high results can be scored through the natural distribution of commodities; further develop commodity markets; and gradually develop markets for means of production. Beijing has been listed as one of the cities that is conducting banking restructuring on a trial basis. In order to accelerate the pace of banking restructuring, we should help enterprises improve their ways for collecting, applying, and accumulating funds; develop a diversified economy; open up various forms of credit business; encourage banking organizations in competition; and have specialized banks operate at enterprises.

We should gradually change the unitary fixed interest rate into differential interest rates and floating interest rates. We should establish and improve short-term money markets. We should do a good job in extending loans among enterprises of the same trades and explore ways for establishing long-term capital markets. We should further develop and expand technology markets and turn scientific and technological achievements into productive forces as quickly as possible. Following the reform of the labor employment system, we should gradually open up labor service markets and protect and promote the rational flow of labor forces.

Second, departments in charge of comprehensive economic work and competent departments should conduct reform simultaneously. A government's functions and methods for managing the economy should be changed mainly into macroeconomic management and indirect control so as to meet the needs of invigorating enterprises. Planning, financial, tax, pricing, labor, banking, auditing, statistical, industrial and commercial administrative, and other multipurpose departments should study the new situations, new problems, and new demands emerging in reform in a timely manner and strengthen their macroeconomic regulation, control, and supervision over the economy. Specialized economic management departments should change their functions and strengthen control over various trades. The overcentralization of power by the municipality is still a problem calling for urgent reform. We should continue delegating power to districts and counties and expand the managerial authority of neighborhood offices and township governments.

Third, we should step up straightening out administrative companies. Administrative companies of various categories should return to enterprises the power that belongs to enterprises, turn over their administrative functions to government departments and, in line with actual conditions and needs, disband themselves or change themselves into operational or service entities.

Fourth, governments at various levels should pay attention to protecting the legal rights and interests of enterprises. When collecting funds to solve financial problems, they should guard against arbitrary apportionment of funds from enterprises and should rather take on the burden themselves, if there is any, than affect enterprises.

The in-depth development of the economic structural reform will unavoidably affect the old systems in the political, cultural, educational, scientific and technological, and other fields, which will need corresponding reforms. The scientific and technological field should conscientiously implement the State Council's "several regulations on further promoting the scientific and technological reform" and "policy regulations on facilitating the integrity of scientific research with production," further invigorate scientific research institutes, and promote multilayered and multiforms of cooperation between scientific research and production units. We should encourage independent scientific research units and designing units with technology development as their major task to enter large and medium-sized enterprises and enterprise groups so as to coordinate scientific research with production more successfully and stimulate the close combination of science and technology with the economy. We should further reform the scientific and technical personnel management

system, encourage the rational flow of talented people, and provide a favorable social environment for scientific and technical personnel to play their role to the full. Active explorations should be made for reforms in the educational, cultural, public health, and sports fields to develop them more broadly and deeply. With regard to political reform, we should follow the unified arrangements of the central authorities, formulate plans after conscientious investigations and study, and implement them step by step.

In carrying out reform, how to correctly understand and handle the relationship between the interests of various fields is a question which draws universal attention. Following the gradual replacement of the old economic systems by the new, corresponding readjustments of the relationship between the interests of various fields are necessary. The original structure of interests and the distribution relationship will be gradually abandoned, and new and rational ones will be established step by step. Judging from the overall trend, the economic interests of various fields will increase following the progress of reform, but the increase cannot possibly be achieved simultaneously. Some units will certainly achieve more interests, and others will achieve them within a shorter period of time. Moreover, the interests gained from one reform may lose in part in another and may again be compensated by the other. Such complicated changes in the relationship of interests urge us to conduct thoroughgoing and painstaking ideological work when adopting reform measures, so that the people will fully understand the protractedness and complexity of reform and will not lose confidence in reform because of the temporary increase or reduction of their interests and harbor unrealistic hopes for an increase of personal interests. With regard to the distribution of actual interests, we should, on the one hand continue eliminating egalitarianism and resolutely widen the reasonable difference, and on the other rationally regulate the high income earned through proper channels so as to prevent a great disparity in income. Those who gain a huge profit through improper means should be strictly banned, and those who violate the criminal law should be punished according to the law.

4. We should persist in opening to the outside world and further expand economic, technological, and cultural exchange.

Opening to the outside world is our basic national policy which will remain unchanged for a long time. As the capital of China, Beijing is the center for foreign contacts. We should fully display its superiority in having more well-trained personnel, quick information, strong scientific and technological forces, a fairly good economic foundation, a good environment for investment, and many places of historical interest and scenic beauty; strengthen international economic, technological, and cultural exchange and cooperation; make new progress in opening to the outside world; and turn Beijing into one of the largest open cities of China.

Increasing foreign exchange earnings through export is the foundation and crucial point for realizing the goal of opening to the outside world and for developing foreign trade and technological exchange. The capacity of earning foreign exchange reflects the level of production development and decides the scope and level of foreign trade, technological exchange, and



import of advanced foreign technology. It is an important strategic issue affecting the prospects of opening to the outside world. In 1987 we should grasp the following three fields of work well: First, we should continue to implement and improve all policy regulations on encouraging exports, further mobilize the enthusiasm of the producers, and promote the production of export products; second, we should formulate development plans, build export-oriented production bases, actively develop competitive export products, develop new export products, readjust the structure of export products, and strengthen the momentum for foreign trade and exports; and third, we should strengthen cooperation with other provinces and cities, actively purchase and import products from other places, and gradually form related export networks.

Actively utilizing foreign capital and importing advanced technology and managerial experiences are important supplementary means for developing the economy based on self-reliance. We have not excessively used foreign funds. Instead, we are far from fully using all favorable conditions. In the future, we should expand the scope of utilizing foreign capital and combine the work of expanding foreign trade and exports with that of solving the current shortage of foreign exchange, importing advanced technology, transforming enterprises, improving product quality, and increasing product patterns and varieties. In 1987 the emphasis of using foreign funds and importing technology should be further shifted to developing enterprises that can earn foreign exchange and technically advanced productive projects. We should attach prime importance to running the existing foreign enterprises well, make good preparations for signing contracts, develop a group of "enterprises of three capital sources," and encourage foreign traders to invest money in urban infrastructure. We should make continued efforts to conduct foreign economic and technological exchange activities; sponsor 25 international exhibits; hold foreign economic and technological transaction meetings; vigorously improve conditions for telecommunications, traffic, boarding, and tourism; and create a good environment for investment.

We should actively develop tourism, for it is of great importance in increasing foreign exchange earnings, expanding exchange with foreign countries, and providing places for employment. Beijing is an ancient capital of culture and a noted historical city with exceptionally good conditions for developing tourism. In 1987 about 1.05 million tourists will enter our municipality. Therefore, we must speed up the construction of infrastructure for tourism and comprehensively raise our capacity to receive tourists. This year we will build and expand 18 tourist hotels; open up some new tourist areas and sports; and mobilize industrial and commercial enterprises to actively produce and purchase tourist commodities, to conscientiously improve operation and management, and to raise service quality, so as to achieve a greater development in tourism.

Opening to the outside world is applicable not only to building a material civilization but also to building a spiritual civilization. In 1987 we should expand exchange and cooperation in urban planning, construction, and management with some large foreign cities, particularly friendly cities; purposefully strengthen foreign contacts; and strive to study advanced technology, applicable economic, administrative, and managerial experiences, and other useful cultural knowledge from various countries of the world, including the



developed capitalist countries. If possible, we should actively use foreign funds to run cultural, educational, public health, and sports undertakings in an effort to promote the building of spiritual civilization in the capital.

### III. Adhere to the Four Cardinal Principles and Strengthen the Construction of Socialist Spiritual Civilization and Democratic Legality

There are two basic principles for the line set forth since the 3d Plenary Session of the 11th Party Central Committee: One is to adhere to the four cardinal principles; the other is to carry out reform and the policy of opening to the outside world. These two principles supplement each other and neither can be dispensed with. Conscientiously strengthening socialist spiritual civilization, developing socialist democracy, and perfecting socialist legality under the guidance of the four cardinal principles is the premise and guarantee of deepening reform, persistently opening the country to the outside world, enlivening the economy, and achieving work in all fields.

1. Adhere to the four cardinal principles and sustainedly and smoothly conduct the struggle to oppose bourgeois liberalism.

Adhering to the four cardinal principles and conducting the struggle to oppose bourgeois liberalism is the key task ahead of our political and ideological field at present. The four cardinal principles are recorded in our state Constitution, the common political foundation for uniting the people of all nationalities throughout the nation to fight, and the foundation for building our country. The essence of bourgeois liberalism is to oppose the four cardinal principles, to attempt to cast off the leadership of the Communist Party, to negate the socialist system, and to take the capitalist road. Thus, the struggle directly concerns the correct and overall implementation of the line, principles, and policies set forth since the 3d Plenary Session of the 11th Party Central Committee; the destiny of the party and the state; and the future of socialism. So, cadres at all levels, particularly, leading cadres, should clearly understand the importance of the struggle and should have a firm and clear-cut stand to resolutely, healthily, and sustainedly conduct the struggle under the leadership of the party.

In his speech at this year's Spring Festival gathering, Premier Ohao Ziyang clearly pointed out: "In the current struggle to oppose bourgeois liberalism, emphasis must be placed on solving questions related to political principle and political orientation. The current work of opposing liberalism should be strictly limited to the party and should be mainly carried out in the political and ideological fields. Rural areas are not to carry out the struggle. Enterprises and organs should conduct education by setting positive examples." Thus, governments at all levels should conduct the struggle in strict accordance with the plans of the CPC Central Committee and the State Council. In conducting the struggle, they must pay full attention to drawing distinctions in accordance with the party's policies. While criticizing the viewpoints of bourgeois liberalism, we must regard the line, principles, and policies set forth since the 3d Plenary Session of the 11th Party Central Committee as criterion, have a resolute attitude and avoid giving up halfway, take correct policies and methods to convince people by reasoning, and avoid launching a political movement or repeating previous wrong "leftist" practices. We must

not link the criticism of bourgeois liberalism with the policies on economic reform, the policies for rural areas, scientific and technological research, the explorations for literary and artistic styles, and the people's daily life. We are never allowed to use the opposition to bourgeois liberalism as an excuse to suppress or deal blows to the people's appropriate criticism concerning our work weaknesses and mistakes; nor are we allowed to make such an excuse to prevent the development of reform, opening to the outside world, and economic invigoration.

"The decision on intensifying legal education to maintain stability and unity" formulated at the 19th Standing Committee Meeting of the 6th NPC is an important teaching material for conducting education on legality with the focus on the Constitution among all the people as well as an effective legal and ideological weapon for adhering to the four cardinal principles, opposing bourgeois liberalism, and maintaining stability and unity. Leading cadres of the governments at all levels should first conscientiously study the decision and master the ability of applying the legal weapon to deal blows to activities violating the Constitution and the law. We should organize and train ranks of lecturers to give lectures to the masses to ensure that each and every household understands the decision and to arm the vast number of cadres and the people with the Constitution and the law. Press, publication, radio, and television departments should conscientiously organize forces to disseminate the "decision" and should compile a number of articles with content and powerful persuasion to help the masses enhance their sense of legality and ideological awareness.

## 2. We should further promote the building of the socialist spiritual civilization.

The building of the socialist spiritual civilization is not only a component part of the socialist modernization, but also a motivation and guarantee for promoting the modernization drive, a reform, opening up to the outside world, and economic invigoration. Because Beijing is the capital of our great motherland, the cultural accomplishment, morality level, and mental outlook of the people in Beijing not only exert an important influence throughout the country, but also are the focus of world attention. Beijing, the capital of our country, must take the lead in building the socialist spiritual civilization. This is a mission entrusted to us by history, as well as is the glory of Beijing's people. In line with the guiding principles defined by the 6th Plenary Session of the 12th Party Central Committee for building the socialist spiritual civilization, and in combination with the actual situation of Beijing, the Beijing CPC Committee and the municipal People's Government have formulated 10 measures which should be conscientiously implemented by all professions, trades, departments, and units.

The basic task for building the socialist spiritual civilization in Beijing is to strengthen education on ideals, with stress on the cultivation of lofty ideals, moral integrity, cultural accomplishments, and discipline and then to mobilize and rally the people throughout the municipality with a common ideal to build the capital into a modernized socialist city characterized by a high degree of civilization and democracy. Positively guiding the people throughout

the municipality to foster an idea of being a member of the capital and to enhance their senses of responsibility and honor constitutes a special demand in the perspective of Beijing's position. All fronts, professions, trades, and departments should cooperate with one another, work in coordination, and strive to achieve success in this regard in an effort to form a favorable public opinion, sense of value, cultural condition, and social climate for Beijing's socialist modernization construction.

Enhancing the professional morality and giving quality service are an important content of building the socialist spiritual civilization. In Beijing, this is of special significance. Adhering to the purpose of "serving the people and being responsible for the people," all professions and trades should foster the sense of responsibility as being the masters and should pay attention to the education on the 10 aspects of professional morality that are closely related to the daily life of the people. These 10 aspects of professional morality are: being honorable and civilized employees of commercial and service departments; being a public transport service worker who maintains traffic safety, provides convenience, and renders service to the people; being a medical service worker who heals the wounded and saves the dying and who is very conscientious in his work; being a literary and art worker who has noble values and an honest and upright performing style; being an educational worker who imparts knowledge, educates people, and is a paragon of virtue and learning; being a municipal administrative staff member who gives consideration to the interests of the people and stresses the quality of work; being a self-employed businessman who observes discipline and laws and is fair in buying and selling; being a public security and judicial functionary who exercises laws impartially and handles affairs without corruption; and being a state cadre who is honest in performing his official duties and is willing to be a public servant. The industrial, agricultural, urban construction, and other professions and trades should all formulate their concise and feasible service scale in line with their reality; gradually perfect their service standards; integrate the education on professional morality with the requirement of professional discipline and with various reform measures; and permeate daily work, production, and service activities with the education on professional morality. At the same time, we should continue to oppose and correct such unhealthy practices as practicing fraud, seeking personal favors by abusing power and using conveniences in work, and infringing upon the interests of the state and the people. Government functionaries and leading cadres at all levels should set examples in stressing professional morality and opposing professional malpractices.

To establish and develop a new type of interpersonal relationship of unity, fraternity, mutual respect, and mutual assistance is another important part of building the socialist spiritual civilization and also a prerequisite for creating good social conduct. The many advanced persons emerging in our lives who are selfless, who sacrifice their own interests for the sake of others, and who have the courage to devote themselves to the socialist four modernizations, deserve the respect of society because they radiate the brilliance of noble communist characters. Such good comrades include Gao Yuhua, a young woman worker who contributed to saving a rural Hebei girl; Zhang Jianhua, a salesman who advertised at his own expense to look for a foreign customer who had paid

extra money; Zhang Maosheng, a taxi driver who coordinated with public security departments to apprehend an armed, escaped criminal in a timely manner; Cui Lanmao, a train attendant who saved a foreign passenger from under the wheels; and Shen Xinquan, a self-employed laborer who always bore the interests of customers in mind. A recent incident in which more than 40 workers were poisoned by mistakenly taking sodium nitrite was solved thanks to support from all quarters. Many people, from the medical personnel of the Chuiyangliu hospital to the cadres and workers of the Beijing Pharmaceutical Plant, from unknown residents to drivers on the way, were mobilized to launch into the emergency rescue. Their actual deeds reflected the new type of socialist interpersonal relationships, and disseminated the new style of socialist civility. They are the examples to learn from.

Improvements in the standards of the people's material life sets still higher demands on their spiritual life. Literary and art, press and publishing, and radio and television departments, and the masses of cultural workers should provide more and better intellectual products to enrich the cultural life of the people throughout the municipality, cultivate their noble character and values, and encourage their spirit of devotion to the socialist modernization. We should particularly stress the social benefit of literary and art works and resolutely eliminate those which distort facts; are vulgar, negative, and decadent; disregard national and personal dignity; and damage the socialist cause. The television culture with the characteristics of modern propagation has become universal in both urban and rural areas of Beijing. The Beijing Television Station and the new Beijing Educational Television Station should produce and broadcast more and better programs and play a better role in improving the ideological and ethical standards and cultural qualities of the people throughout the municipality. We should pay attention to the development of libraries, cultural centers and stations, museums, theaters, and other mass cultural activities and institutions and the development of archives. With the guidance of Marxism, ideological and theoretical workers should study and sum up the new situations, new problems, and new experiences in socialist modernization and the overall reform in a creative manner and enrich and develop the scientific theory of Marxism.

3. We should strengthen socialist democracy and improve the socialist legal system.

Highly developed democracy is one of the great goals of socialism. It takes a long period of development to realize democratic political, economic, and social lives. It can only be realized in a planned and step-by-step manner under the leadership of the party, with the guidance of the four cardinal principles and by relying on the Constitution and the law. At present, an important task in developing democracy is to clarify some confused ideas and erroneous views on the question of democracy and clearly explain to the masses and young people the essential difference between socialist democracy and bourgeois democracy. Persons engaged in bourgeois liberalism use the abstract terms "democracy" and "liberty" to oppose the four cardinal principles in an attempt to cancel party leadership and negate the socialist system. This will only lead to ultra-democracy and anarchism. We should make the people understand that a perfect democratic system can only be established gradually through a long period of constructive work following the political, economic, and cultural development of society. In line with the provisions of the Organic Law



for Local Congresses and Governments, governments at all levels should implement the resolutions adopted by the People's Congress or by its standing committee, hold themselves responsible to the congress, report their work to the congress, and actively accept its supervision. Efforts should be made to earnestly deal with the motions raised during the congress sessions and the suggestions offered by the deputies and the CPPCC members, to pay attention to the letters and visits by the masses, and to be concerned about the people's weal and woe. They should also bring into full play the role of deputies and CPPCC members in conducting advisory work and offering specialized wisdom and strength so as to strive to promote the scientification and democratization of policy decisions and to prevent or reduce as much as possible miscalculations in formulating policies. Efforts should be made to further improve the democratic systems at the grassroots level; to delegate democratic rights in an all-round way to the workers' congress of enterprises; and to bring into full play the role of the autonomous mass organizations, including neighborhood committees, villagers' committees, students' federations, and academic societies. A good job should also be done in conducting the work concerning various nationalities, religions, and Overseas Chinese. They should further enhance socialist democracy in all fields of social life so as to gradually systematize and legalize democracy.

The socialist legal system embodies the people's will; can safeguard the people's legal rights, interests, and benefits; can readjust the relationship among the people; can restrain the people's conduct; and can block or deal blows to unlawful acts that harm society. In 1987 we will further do a good job in drawing up local draft regulations and rules as well as administrative regulations and in fulfilling the plans for formulating draft provisions and the 60 articles of the regulations. The people's governments and governmental departments at all levels should enhance supervision and management over economic work by applying legal measures and consolidate the relationship among all sectors of urban social and economic lives. Efforts should be made to unswervingly and successfully conduct the work of popularizing legal knowledge among citizens, to regard the Constitution as a fundamental guiding principle in activities, and to foster the concept and habit of observing discipline and the law and doing things in line with the law. They should further enhance the work undertaken by the judicial departments and establish or improve the organizational structure at all levels in charge of legal systems. They should also enhance the guidance, education, inspection, and supervision of the working personnel of the judicial departments in order to see to it that there is the law for the people to follow, that the law is sure to be enforced or strictly enforced, that those who have violated the law will be dealt with, and that everyone is equal before the law. Continuous efforts should be made to consolidate public security in a comprehensive way, to bring into full play the role of organs that are exercising the people's dictatorship, to rapidly and heavily deal blows to serious criminals in line with the law, and to strictly punish serious economic crimes. They should resolutely suppress criminal conduct, such as prostitution, drug addiction, gambling, and trafficking in pornography; prevent, in line with the law, all activities that have disturbed the social order; and safeguard the legal rights and interests of the people and social stability to ensure normal progress in various socialist undertakings throughout the capital.



Fellow deputies:

The year 1987 is a crucial period for fulfilling the Seventh 5-Year Plan. The tasks we face are very glorious but quite arduous. In building Beijing into a socialist modernized capital reflecting Chinese characteristics, we have no existing mold to follow and we must deal with many problems and difficulties. We must earnestly implement the principles and policies set forth by the CPC Central Committee and the State Council. Under the leadership of the Beijing Municipal CPC Committee and bearing in mind the actual situation of the municipality, we must boldly probe the questions, actively keep forging ahead, realistically do our work, and make steady progress in our work. We should also pool the wisdom and strength of the people of various nationalities throughout the municipality, bring all contributing factors into play, unite as one, and wage arduous struggle so as to fulfill the 1987 tasks successfully and continuously push forward the capital's program of building the socialist modernization.

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## PROVINCIAL AFFAIRS

### ZHONGGUO TONGXUN SHE ON GOVERNMENT WORK REPORT

HK270848 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1015 GMT 26 Mar 87

[Article by Ke Zhi (0668 0037): "Comments on Zhao Ziyang's 'Government Work Report'"]

[Text] Hong Kong, 26 Mar (ZHONGGUO TONGXUN SHE)--On the afternoon of 25 March, glowing with health and radiating vigor, Zhao Ziyang read his 23,000-odd-character "Report on the Work of the Government" to 2,719 delegates attending the Fifth Session of the Sixth NPC.

This was the last session of the Sixth NPC in which the cabinet has carried out its work for 4 years. In a longer term, 8 years have passed since China implemented the policy of reform, opening up, and economic invigoration. It can be said that the policy has reached a period; that is to say, tangible results have been achieved and problems exposed quite conspicuously and the understanding of society, the leadership in particular, has become clearer. All this provides us with necessary factors. Hence, a new opportunity for making decisions has arrived. It is precisely against this background that Zhao Ziyang's report profoundly sums up the work of the past and works out clear and definite plans for China's continued economic development and further implementation of the policy of reform and opening up in the future. As this reporter sees it, openness, soberness, and firmness are the keynotes running through Zhao's report.

What is meant by "openness?" This refers to the following facts: First, things are presented with frankness and sincerity. In other words, achievements, problems and difficulties, tentative ideas, and measure to be taken in the future are all presented without the slightest hesitation and without using any astonishing phrases. Nevertheless, the report contains many things novel, profound, and quite mature. Second, whether the delegates present at the session or the common people who watched or listened to the report felt that there was nothing mysterious in it. This reporter asked many people, old and young, about their thoughts on the report. They all said that they were mentally prepared for many major problems. This must be considered the result of the situation in which China has become more politically liberal in recent years and the leadership has strengthened dialogue with the common people through various channels. Compared with the situation in the past, this change really merits attention.

What is meant by "soberness"? In terms of Zhao's report, first, the report gives a sober appraisal of the situation and both favorable factors and difficulties are stated in explicit terms. Second, the basic calculations and plans for reform and opening up are sober and accurate. Third, the scale of the struggle against bourgeois liberalization has been clearly defined and the methods and steps for the struggle clearly explained.

Let us illustrate with examples.

First, Zhao Ziyang pointed out: For China to persist in the policy of long-term steady economic development, among other things, it is necessary to strengthen the position of agriculture. He said: In China, "a big country with a huge population and a relatively low level of productive forces, whether agriculture, the foundation of the national economy, can develop in a sustained and steady way is of extreme importance to the overall situation of the national economy." On no account must we "overlook the position of agriculture as the foundation of the national economy and neglect rural work." There is no mistaking what the remarks are aimed at. Zhao pointed out: "Generally speaking, China's countryside is still in the state of development." This is a new idea. China has 300 million peasants and only some 1.6 billion mu of cultivated land. How to resolve the problem of grain and how to resolve the problem of grain and how to free hundreds of millions of peasants from the land and, at the same time, to ensure that no chaos will result have become one of the greatest problems facing China. Different from the rural development of other countries, China's rural development is not only an issue of agriculture but it also involves the development of the economy as a whole. This is because the peasants in their hundreds of millions are to enter the realm of modern economy, to operate diversified undertakings, and to enter domestic markets nationwide. Not only do the peasants play a supporting role in supplying raw materials, but they should play a leading role as well. These remarks of Zhao indicate that the echelons of the Chinese leadership have a sober understanding of this thorny issue.

Again, when Zhao Ziyang said, "Efforts should be made to strike a basic balance between financial revenues and expenditures and between credit revenues and expenditures," he frankly admitted, saying, "in the situation in which our funds are used in a more decentralized way than in the past, we have not had enough time to establish systems and mechanisms effective enough to lead social funds to a rational direction. On the one hand, this provides an objective condition for localities and departments to blindly develop processing industries and expand nonproductive construction and on the other, it increases the weight of the financial burden of the state, in particular, that of the central authorities to the extent that they have too many problems to tackle." Although the problem, which has been spotted accurately and presented frankly, has not yet been resolved, now that it has been presented, it will be relatively easy to find a solution for the problem.

Next, Zhao Ziyang emphatically said: "It is necessary to carry out the campaign to increase production and practice economy and to increase revenue and cut expenditure in an extensive, thorough-going, and sustained way." On no account must we approach the content of the campaign raised by Zhao from the

outdated, small-scale peasant economic perspective. The premier expounded the issue from a macroeconomic point of view, stressing on the overall improvement of social and economic results and from the angle of such areas as industrial production, circulation, and construction.

Such instances can be found throughout the report. Therefore, I will here refrain from going into details.

As for firmness, after listening to Zhao's report, I deeply felt that the whole report demonstrates careful determination. Apparently, through 8 years or more of practice, Chinese leaders have become more assured of the certainty of achieving the objective of quadrupling the total output value of the national economy by the turn of this century and to further realize the country's four modernizations. Therefore, in conclusion, Zhao Ziyang said in a forceful tone: "No force or obstacle can prevent us from forging ahead. We are fully hopeful of the bright prospects of our country and at the same time fully confident that we are bound to triumph."

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## PROVINCIAL AFFAIRS

### PROVIDING LOANS FOR TECHNICAL TRANSFORMATION IN SHANSI

Taiyuan JINGJI WENTI [PROBLEMS OF ECONOMICS] in Chinese No 2 Feb 87 pp 40-41

[Article by Zhang Hongshun [1728 1347 7311]: "The Problems of Technical Transformation Loans and How to Solve Them"]

#### [Text] 1. Situation and Problems

During the entire Sixth 5-Year Plan from 1981 through late June 1986, industrial and transport enterprises in Shansi borrowed a total of 1.95 billion yuan in technical transformation loans. Of this, 500 billion [as published] yuan have been repaid, leaving a balance of 1.45 billion, or 74.4 percent of the total. By late June 1986, 210 million yuan, or 14.28 percent, of these loans were in arrears.

So far 60 industrial and transport enterprises still owe more than 3 million yuan each, their combined debts amounting to 480 million yuan, or 33 percent of the unpaid loans of industrial and transport enterprises. Of these 60 major debtors, 14 are among the 58 key enterprises targeted for technical transformation during the Seventh 5-Year Plan. Between them, the 14 enterprises owe 140 million yuan, or 28.56 percent of the total debts of the 60 enterprises mentioned above, and 0.43 percent of the debts of all industrial and transport enterprises in the province.

An overview of technical transformation in the Sixth 5-Year Plan shows that enterprises currently have problems meeting their loan commitments. Our preliminary analysis has identified the following reasons, some of which--rigid planning, inflexible financial target-setting, and soft loans made by the banking system--are related to the external environment of an enterprise, while others--the lack of an understanding of debts and of a sense of efficiency and time--have to do with its internal operations.

1. Under the current technical transformation management system in China, loans have replaced appropriations as the source of funds. However, the planning system remains as highly centralized as before in the pre-reform days. The annual national technical transformation conference not only decides the scale of investment in each province, but also plans for a large number of central projects. It draws up the investment plan and lending plan for transmission to lower levels. Moreover, the conference deliberately



writes into these plans provisions that local authorities provide related projects to form a coherent whole.

2. Under China's current financial system, "taxes are divided into different types, both expenditures and revenues are fixed, and each level is made responsible for its own finances." This is true with regard to the policy of the central government toward the provinces as well as that of the provinces toward prefectures and counties. Finances permitting, every locality wants to put up as many projects as possible, often stretching themselves to the limit financially. For example, because several of its large enterprises incurred losses and were strapped for funds, the municipal government concerned immediately issued an order that no loan repayment be made without authorization. As a result, a live cow got bogged down because of a dead cow, and a chain of indebtedness appeared: once one link went wrong, everything else got stuck. In the long run, the setting of rigid targets is not the best thing to do.

4 [as published]. The overwhelming majority of enterprises in Shansi did a fairly decent job in technical transformation in the Sixth 5-Year Plan. But some outstanding problems remain. First, some enterprises do not have an understanding of debts. A technical transformation project in a certain factory in Taiyuan, for instance, was altered five times in 6 years, its investment snowballing from an initial 280,000 yuan to 10,500 yuan [as published].

Second, many enterprises lack a sense of efficiency when they select projects. Datong Factory borrowed 4.5 million yuan in 1984 to import from abroad a production line with an annual output of 3 million miner's lamps and began trial production in 1986. Judging from the sales of the 1 million lamps already made, the profit of which was just 5 fen apiece, the factory could garner 200,000 yuan in profits annually, assuming an ideal market and normal production. Even if it does not have to pay a penny to the finance agency, it would still take the factory about 30 years to repay principal and interest. This shows that it did not seriously calculate the investment return rate or the investment recoupment period during project planning.

Third, some enterprises, lacking a sense of time, fail to adhere to their technical transformation schedule closely and delay putting the project into production. In August 1983 a certain factory imported a printing machine with a 5.55 million-yuan loan. Three years later, the machine has still not gone into production and is not expected to in 1987 either. On the other hand, a printing and dyeing mill run by an individual imported the same type of equipment from the same country in 1985 and took just 8 months to take delivery and install it. The machine was put into production in the latter half of 1986 and has generated 490,000 yuan in profits thus far. Projections are that profits would reach 1 million yuan by year end and 3 million in 1987. This is a far cry from the situation at the other factory.

## 2. Reform Proposals

The basic solution to the above-mentioned problems in technical transformation lies in institutional reform and enterprise invigoration. Certainly we should

also consider the coping ability of the financial agency and locate a reasonable meeting point between long- and short-range interests. Specifically, we should:

1) reform the planning system and restore borrowing autonomy to enterprises. Under the present planning system, the agency in charge of enterprises report projects to a comprehensive agency at the provincial level. It is the latter's responsibility to issue plans, allocate funds, and determine who gets which loans. The result is that enterprises acutely short of funds do not get the loans they need, while enterprises which do not need the funds are the first to be burdened with loans. Or efficient plants do not get the loans while inefficient ones have loans thrust at them. Over-centralization precludes close project scrutiny and leads to delays in transmitting the plan from top down, wasting time and effort in the process. Over-centralization also elongates and complicates the problem-solving process at enterprises. At present projects with a price tag over 5 million yuan must be examined and approved by the province, while projects costing less than 5 million yuan are examined at the prefectural and municipal levels. Instead of using the 500 million figure as a cutoff point, we may consider using enterprise managerial authority as a criterion: the province should make plans for province-run enterprises, while prefectures and municipalities do likewise for prefectural and municipal enterprises. The lending program drawn up by the central government should also be separated for transmission to separate prefectures and municipalities. Where provincial coordination is required, the province should step in to negotiate with the proper ministries. Thus rights, responsibilities, and interests are clearly defined at each level, with everybody doing its part, fulfilling its responsibilities, and playing its role.

2) reform the financial management system to make enterprises responsible for loan repayment. As far as the financial system is concerned, its work focus in technical transformation should be advance control rather than taking remedial measures after the event. It should help enterprises conduct market forecasts, project fund use rate and capital recoupment period, and draw up an appropriate repayment schedule. It should also be authorized to veto projects with very poor results (including economic results.) In general, enterprises should not be prevented from paying their debts. Even more important, a locality should not lump together enterprises with good results with those with poor results just to balance its budget.

3) identify a correct investment direction and invigorate large and medium-sized enterprises

The government of Shansi has decided that the technical transformation of large and medium-sized key enterprises should be one of the five major tasks in the Seventh 5-Year Plan. The recent survey testifies to the crucial importance of identifying a correct investment direction. First, many enterprises have borrowed large amounts of money but have problems repaying them. The problem here is hidden capital construction. Second, some projects were undertaken without any serious market studies and calculations of the investment recovery period. Hence the lack of a proper sense of direction in investment. By passing capital construction projects off as technical

transformation, enterprises get the benefit of importing equipment tariff-free. But since banks charge interest on a quarterly basis, the result is that new projects begin living off the profits of old enterprises even before they go into production. In addition there are such drawbacks as large outlays and long lead time. This reversal of the order of importance between extensive and intensive developments should be corrected. We believe that we should continue to adhere to the principle of "three improvements and one raise"--improving quality, variety, and standard and raising economic results. As for funding sources, with the exception of funds raised by the enterprises themselves, in principle one kind of fund should take care of one project. When a project is put into production promptly, the enterprise benefits from it early, and loans can be repaid without delay.

4.) effect a gradual shift from simple planning control to planned interest rate control. For the moment, efforts should be made to determine whether or not to offer the following: (1) preferential interest rates to key enterprises slated for technical transformation; (2) discount rates to complementary projects in environmental protection and scientific research projects; (3) bonus interest rates to units that have done an outstanding job in technical transformation the year before; and (4) penal interest rates to industries where the productive forces are not rationally deployed and where technology is immature to prevent them from resorting to improper means to increase their scale of lending. Adjustments in interest rates should be financed by technical transformation appropriations in the budget and from penal interest rates.

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## PROVINCIAL AFFAIRS

### HEILONGJIANG GOVERNOR DEFINES WORK TO SUPPORT POOR COUNTIES

SK210922 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 20 Mar 87

[Text] At today's summing-up and commendation meeting on the work of supporting impoverished counties on a contract basis, Governor Hou Jie said that the general guiding ideologies and fighting goals for supporting the impoverished counties this year are to deepen enterprises' reform with the focus on comprehensively raising economic results; to extensively and deeply launch the campaign of increasing production, practicing economy, increasing revenue, and reducing expenses; to improve enterprises' management; to ensure a sustained, stable, and coordinated development of the economy of the counties that enjoy subsidies; to ensure that these counties will financially be self-sufficient; and to strive to make six or seven counties attain the standards for eliminating poverty this year.

Governor Hou Jie said: In order to attain these goals, this year, we must deepen enterprises' reform to enhance their vitality, conscientiously grasp the production and economic results of existing enterprises, grasp the production of export products, and vigorously develop gold production. While helping the counties which enjoy subsidies develop some projects that can score faster results with less investment, we should grasp some key large and medium-sized projects in order to fundamentally eliminate poverty. This year's provincial planning conference defined to strive to help each and every impoverished county develop one or two key projects within 3 or 4 years. We should further promote the development of lateral economic cooperation to enliven the enterprises' economy and help impoverished counties with such difficulties as lacking information sources, skilled persons, and technologies. This year, these counties should further foster an idea of agriculture-industry-commerce overall development and proceed from their local actual conditions to turn their natural resources into products and economic advantages.

At today's meeting, 8 advanced units that were contracted to help impoverished counties, 8 advanced counties that financially became more self-sufficient, and 28 advanced workers who were contracted for helping the impoverished counties were commended.

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## PROVINCIAL AFFAIRS

### FUJIAN GOVERNOR STRESSES RURAL DEVELOPMENT

OW210351 Fuzhou FUJIAN RIBAO in Chinese 12 Mar 87 p 1

[By Lin Sikui and Xiu Liren]

[Excerpts] "It is necessary to inherit and carry forward the glorious revolutionary tradition, uphold the four cardinal principles, and persist in making reform, opening to the outside world, invigorating the domestic economy, and developing the socialist commodity economy in order to cast off poverty in the mountainous areas and enable them to become better off as quickly as possible," said Governor Hu Ping and Vice Governor Chen Mingyi after conducting an in-depth investigation into economic construction in mountainous areas in western Fujian from 28 February to 7 March.

During the 8-day fact-finding investigatory tour, the leaders of the provincial government publicized the guidelines of the central authorities documents to be cadres and masses, and urged them to earnestly implement the guidelines in accordance with the actual conditions in each area. The provincial government leaders also inspected several townships in Zhangping, Wuping, Changding, and Liancheng counties, in company with leaders of Longyan Prefecture and County, as well as the Zhangping Thermal Power Plant, the Longyan Prefectural Plywood Factory, and village and township enterprises.

Noting bright prospects in the mountainous areas, the provincial government leaders said, however, that their present economic development lags far behind advanced coastal regions, as reflected in the gross industrial and agricultural output value and per capita income. Quite a few areas are still impoverished. How can we obtain a better understanding of the mountainous areas and develop them in order to transform their poor outlook as quickly as possible?

Hu Ping said: First, it is necessary to increase awareness in the commodity economy among the people in the mountainous areas. Second, it is necessary to encourage them to open the door for foreign and overseas Chinese investment and lateral economic cooperation with other places inside and outside Fujian. Third, it is necessary to explore new resources, new products, and new markets, and promote the processing industry in order to make the best use of natural resources to develop quality commodities and accelerate economic growth. Fourth, it is necessary to develop the mountainous areas in the spirit of reform.



During the investigatory tour, Governor Hu Ping also emphatically pointed out: The glorious revolutionary tradition of the people in the old revolutionary areas is the most valuable spiritual asset. By bringing into play this fine revolutionary tradition, it can help us uphold the four cardinal principles, combat bourgeois liberalization, safeguard political stability and unity, successfully carry out reform and the open policy, and build a material and spiritual civilization; it can also promote the hardworking spirit, thrift, and the campaign to increase production and practice economy, increase revenue and reduce expenditure. The governor urged the people in the old revolutionary bases and mountainous areas, as well as other places in Fujian, to inherit and carry forward the glorious revolutionary tradition, earnestly implement the line formulated by the party since the 3d Plenary Session of the 11th CPC Central Committee, and further display the revolutionary spirit of daring to blaze a new path and work hard to promote economic construction as quickly as possible.

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## PROVINCIAL AFFAIRS

### BRIEFS

JIANGSU'S GU XIULIAN ADDRESSES MEETING--The Jiangsu Provincial Government held a provincial rural enterprise work meeting in Nanjing on 16-19 March. Provincial Governor Gu Xiulian and Vice Governor Ling Qihong spoke. The meeting recalled and summed up the achievements and experience of Jiangsu's rural enterprise work in 1986, and formulated the province's rural enterprise task in 1987. The meeting pointed out: Jiangsu's rural enterprises continued to maintain a high growth rate under difficult conditions in 1986. The meeting noted: This year, Jiangsu's rural enterprises, keeping to the four cardinal principles, and launching a campaign to increase production and practice economy and to increase revenue and reduce expenditure, will continue to deepen technical transformation and structural reform. [Excerpts] [Nanjing Jiangsu Provincial Service in Mandarin 1015 GMT 20 Mar 87 OW] /9274

CSO: 4006/588

## FOREIGN TRADE, INVESTMENT

### PROBLEMS FACING OPEN POLICY, INVESTMENT CLIMATE

Shanghai SHEHUI KEXUE in Chinese No 3, 1987 15 Mar 87 pp 21-24

[Article by Yan Kuangguo [0917 0562 0948] of the Center for Economic, Legal, and Social Consulting of the Shanghai Social Sciences Institute: "The Opening to the Outside and the Investment Climate"]

[Text] I. The opening to the outside is a fundamental national policy implemented after the Third Plenary Session of the Eleventh Party Congress. Looking back on the lessons of Chinese history and the glorious achievements of the last five years in the light of basic Marxist theory and the universal experience of countries around the world in modernizing, we see that implementing this policy has certainly been helpful in reducing the gap between China and the advanced countries, developing China's social productive forces, and accelerating China's four modernizations.

The opening to the outside cuts through the heart of Sino-foreign cooperation and exchange in all areas, particularly in the economic and technical realms. Right now around the world there is nearly \$100 billion in idle funds and bank deposits in search of an outlet; there are a million projects ready-made for these funds, and there is also technology, which is increasing at 15 percent a year and needs appropriate applications. Funds and technology comprise a major factor restricting China's four modernizations. We should therefore take advantage of the strong points of the masses to help China take off, so that a great and strong socialist country with Chinese characteristics can be built as soon as possible.

China's funds and technology have been obtained primarily from private Western capital directly invested through Sino-foreign joint ventures, Sino-foreign contractual joint ventures, and wholly foreign-owned enterprises (all referred to as foreign-investment enterprises below), operated in China. However, individual private investment is not the same as domestic investment; different environments in each country mean that foreign investors must be concerned about the safety and profits of their investments, and they have misgivings. Only when their risks are reduced and they are able to achieve clear economic benefits will they invest gladly. Therefore, the prerequisite for a country that receives investment being able to boldly bring in large amounts of international funds and technology from investor countries is that it have a suitable investment environment.

II. The investment environment is also called the investment climate. In the past it was narrowly understood as providing infrastructure, preferential tax treatment, and so on. In fact, its significance goes far beyond this. It refers in reality to all the influences the receiving country can possibly exert on the anticipated safety of and benefits from the foreign capital. Analyzed in terms of the characteristic flow of international capital and the psychological state of investors, the direction and volume of such capital are highly selective; generally the greater part of it is determined by whether the receiving country possesses the following eight factors:

1. Stable political situation: the receiving country is politically stable and socially peaceful; it does not pose such political risks such as changes of government, upheavals, foreign aggression, wars, or nationalization of foreign capital.
2. Advantageous geographical conditions: the investment site is removed from zones where there are frequent earthquakes, windstorms, and other acts of God. The environment is relatively unpolluted, communications and transport facilities are good, there are abundant natural resources, and there are expansive sales markets in proximity.
3. Fairly well-developed economy: the receiving country's economic conditions are relatively good, with fairly stable prices and good matching capacity in funds and technology; such relevant industries as international finance, transport insurance, consulting and information, etc. are fairly well developed and capable of providing for the application of foreign capital.
4. Good infrastructure: the country is able to provide the foreign investor with the land necessary for construction and has a good, complementary urban infrastructure such as ports, airports, railroads, highways, international communications, and so on. In terms of living conditions, it is able to offer the foreign businessman and his dependents such necessary facilities as food, housing, transport, cultural and recreational activities, travel, schools for the children, etc.
5. Informed population: the citizens of the receiving country have an understanding of the dual nature of foreign investment; they are able to start with a strategic concept and sustain an enthusiastic attitude; they can offer cooperation according to the principle of mutual benefit and are bold and skilled at utilizing foreign capital.
6. Complete legal system: the receiving country has a complete legal system; at the same time, it has signed treaties with the investor country protecting mutual investments and agreements to avoid double taxation; the receiving country is able to offer foreign investors legal protections within it and internationally.
7. Stable preferential policies: the receiving country is able to simplify approval procedures for setting up the foreign-investment enterprise; it confers authority for independent management, sells the necessary materials, and opens up some domestic markets; rates for land leasing, wages, and other

charges for labor services are relatively low, and preferential treatment is offered in taxation, so that the foreign investor can expect to make a profit and take his profits out of the country.

8. Qualified personnel who can be recruited: foreign investors can freely seek out the qualified personnel they require in the receiving country. These personnel have complementary technical skills, industrious work attitudes, a strong concept of time and efficiency, and strict discipline; this makes it possible to achieve high efficiency and low costs, so that the enterprise's products and services can be of high quality and offered at reasonable prices to strengthen their competitiveness on the international market.

The above eight factors can be roughly grouped into two major categories, the material, or hard, environment, and the social, or soft, environment. The former is fundamental, while the latter plays a leading role and is more important.

Generally speaking, if the receiving country possesses the above eight factors, it will definitely be attractive to foreign investment. The foreign businessman makes his investment decision only after consulting about the project, doing a feasibility study and writing the report, appraising it, and determining that the country offers a safe and profitable environment.

III. If we compare the actual investment environments of various countries and regions, China, and particularly the two special economic zones, the 14 open coastal port cities, and the three coastal economic development zones, have clear advantages: they are situated on the Western rim of the Pacific Ocean, which is now a world economic center; communications are well developed, and there are abundant human resources and vast markets. In particular, the country's people resolutely adhere to the four basic principles; politically, the country is peaceful and unified; economically, the situation is one of steady growth. In foreign affairs China pursues a policy of independent and autonomous peaceful relations and a policy of openness. There is very little possibility of internal upheaval or external aggression, and unconditional nationalization of foreign-investment enterprises cannot occur. For these reasons, foreign businessmen used to get "China fever," believing that China was the ideal place for investment, and they came in great numbers to invest here. Subsequently the investment zeal of foreign businessmen was somewhat curtailed by other problems with China's investment environment. Since the State Council promulgated its resolution encouraging foreign investment, there has been new, steady progress in improving the investment environment. However, proper solutions still need to be found for several problems such as those below:

1. Some comrades cannot keep up ideologically with the current opening to the outside. Despite some comrades having undergone several years of ideological education regarding the policy of decontrol and invigoration, they are unable to take a long-term strategic view of today's foreign-investment enterprises, due to their subjective beliefs often falling short of the objective situation, and to the influences of the old system and ingrained habits; deep in their hearts they often view these enterprises as if they were the same as the mines and factories run by foreigners in Old China, and they are not



receptive to them. Some comrades then look at problems from a static viewpoint; they are unwilling to share profits, perhaps approving on the outside but opposing it on the inside. Some of them worry about working hard to no avail and passively taking orders. Some of them are shrewd without being wise, unable to talk about specific projects. Some are eager to go abroad on "inspection tours," and when they get back everything is just fine; and so on.

2. Legislation is still incomplete. In addition to relevant provisions in the national constitution and other rules and regulations, in the last eight years China has promulgated several dozen specialized laws affecting foreign relations. At the same time, it has also signed treaties with other countries to protect mutual investments and agreements on avoidance of dual taxation. A great deal of work has been done, but many problems remain to be solved. For example, there are many gaps in the regulations. Several thousand Sino-foreign contractual joint ventures have been opened around the country, yet there is still no law for such enterprises; some of the current laws concentrate too much on principles, and it is difficult to implement them because they deal so little in specifics; administration involves so many different agencies, as in the case of provisions regarding registered capital as a percentage of total investment, for example, that there are conflicts with the law on joint ventures. Implementation of the laws is weak, as in the case of the prices paid by foreign-investment enterprises to buy the materials they need to produce products to be marketed in China, when they are sometimes unable to enjoy equal treatment with state-run enterprises as they are supposed to according to the provisions.

3. Specific policy measures are insufficiently clear, uniform, and stable. There is a lack of overall programming and short-, medium-, and long-term planning for projects. For example, lack of scientific consulting for a building construction project meant that the feasibility study was superficial, skipping over an analysis of market dynamics; construction was overscaled, which led to a loss of macrocontrol, so that now the project exceeds demand for it. Setting up a foreign-investment enterprise requires many complex procedures and slow approval; in many areas getting a project from proposal to registration means going through four committees and 19 bureau-level departments for examination, and getting it stamped with 41 seals, so that foreign businessmen, who have come across the ocean and who believe that time is money, feel that the burden is excessive. Policy changes are frequent, and some are for internal use only, so that foreign businessmen are unable to fathom them and do not know where to turn. Charges are not uniform and may be changed at any time, so that a feasibility study done previously may be faulty and affect the enterprise's economic results, making the foreign businessman feel that "there is preferential treatment, but no guarantees."

4. Infrastructure and service industries are relatively backward. Many open cities are overburdened: the existing office space and apartments for foreign businessmen are severely inadequate; sometimes foreign businessmen must conduct their business in one place during the day and go elsewhere to sleep at night. In setting up an enterprise, it is difficult to get the infrastructure and design and construction work done; the pre-construction period is stretched out, thus pushing back the start of production, which

severely impacts the anticipated economic benefits of the project. Airports, ports, train stations, highways and other facilities are inadequate; traffic is congested, and international telecommunications operations are backward, which affects the prompt transmission and receiving of personnel, goods, and important information. Such services as international finance, transport, insurance, and consulting are not well developed, making it impossible to meet the demands placed on them by the opening to the outside.

5. Professional skills are poor. Foreign-investment enterprises find it difficult to freely seek the skilled personnel they require. Although they do not consider the salaries high, the poor quality of services and low efficiency and productivity negate the advantages of China's labor force, with enterprise operating costs sometimes exceeding those in countries and regions with higher wages; this makes it impossible to compete successfully in the international investment market with other receiving countries.

These problems with the investment environment perplex some of the foreign-investment enterprises in China, and they cause potential investors who have not yet come to China to be wary; they impact the overall implementation of China's policy of opening to the outside and urgently need to be solved in stages.

IV. In the face of the above problems, and with Chinese and foreign opinions having been taken into consideration, the following preliminary proposals are made to further improve China's policies regarding the investment environment:

1. There should be greater propagandizing of the open policy so that the existing foreign-investment enterprises are better run. The policy of opening to the outside benefits the country and the people and has been included in the constitution and the Party program. Theoretical research and propagandizing and education regarding this policy should now be strengthened so as to increase people's strategic viewpoint and make them bold and skilled in utilizing foreign capital, thereby getting everyone to be concerned with improving the investment environment. In addition to convincing foreigners that China's open policy is one of decontrol rather than restriction and that taking in direct foreign investment is China's long-term policy, we must offer practical assistance to the existing foreign-investment enterprises, especially exporting enterprises and advanced-technology enterprises, so that they become living models for absorbing foreign capital and are able to turn around the unfavorable reports abroad regarding China's investment environment.

2. The pace of legislation should be stepped up and the legal system completed. We should strive to establish a complete system of legislation on foreign economic relations within a short period of time and ensure that its provisions are clear, specific, and adapted to general international practice. We must ensure the seriousness and stability of the laws; policies should be subordinate to laws; lesser laws should be subordinate to major laws; local laws should be subordinate to national laws. Laws should not be allowed to be changed at will. Laws should be earnestly implemented so as to gain the confidence of foreigners. Discussions and treaty signing should continue with

those countries with which no bilateral treaties protecting investments and agreements avoiding dual taxation have been signed.

3. Policy measures should be made more uniform, and their relative stability should be ensured. There are already many foreign-investment enterprises, and there may be even more in future; there are many problems, and the task is an arduous one. An authoritative national management body should be set up as soon as possible, and it should be used in such areas as studying short-, medium-, and long-term plans for the utilization of foreign capital and the coordinated introduction of foreign technology; assisting local governments in achieving a comprehensive balance and in making preparations; supervising and promoting simplified procedures and steps for project approval, doing away with delays and disputes, speeding up the work pace, and improving administrative efficiency; coordinating the solving of major difficulties and problems arising during operations after the foreign-investment enterprise has opened, so that it can realize the anticipated economic and social benefits, and so on. Policies should be as stable as possible, and every effort should be made to see that they are observed. The phenomenon of too many agencies involved in administration should be eliminated: restricted policies should be made public as conditions allow in order to gain the confidence of foreign businessmen. Wages and welfare for Chinese staff and workers should be suitably determined: standard rates should be set for communications, housing and various services for foreign businessmen in China, so as to exploit the advantage of low-cost investment in China. In addition, policies should be formulated to mobilize the enthusiasm of domestic enterprises for cooperating with foreign investors.

4. Urban infrastructure should be improved and the service industry developed. The key to the problem of urban construction and infrastructure is capital; for projects having the capability of repaying foreign exchange, every effort should be made to find a way to carry them out using foreign capital; for projects without such a capability, it may be possible to raise the RMB to carry them out by studying such measures as charging for use of city land or levying a charge for discharge of wastes in the industrial and communications system, or by combining them with projects that do have the capacity for repayment. International economic information, consulting in foreign economic relations, international finance, services to foreigners, transport, insurance, and other such industries should be enthusiastically developed to provide a proper, complementary environment for foreign investment.

5. Professional skills should be improved and personnel should be trained in foreign economic relations. Practical measures should be taken to ensure that foreign-investment enterprises are able to operate autonomously according to standard international practice, including hiring practices, doing their own recruitment, testing to determine merit, and hiring; unfit personnel can be relieved of their duties and dismissed; personnel violating enterprise regulations may be appropriately disciplined or fired; strict discipline can improve productivity and efficiency. The responsible departments may hold periodic training classes for the managerial personnel of foreign-investment enterprises, or select certain institutions of higher learning to offer the relevant majors for the study of foreign economic policies and operations and to improve foreign language skills. People should be trained to develop their

creative spirit and their concept of time and efficiency, so that their political orientation is clear, their work attitudes are flexible, they can work together well with foreigners, and they can run the enterprise well together.

V. The investment environment is a synthetic system of many factors and levels. Improving it is a dynamic and complex systematic project that has to do with China's implementation of the policy of opening to the outside and with China's international reputation. Comrade Deng Xiaoping recently pointed out that we have not yet opened up enough to the outside. He also said that the purpose of opening to the outside and invigorating the domestic economy was to leave poverty behind, and that it absolutely cannot affect our socialist system. Therefore, we must thoroughly recognize the necessity and importance of improving the investment environment for foreign businessmen and take practical, effective measures so that this problem can be better resolved and so that there can be further opening to the outside in future and a quicker realization of the four modernizations.

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CSO: 4006/544

## FOREIGN TRADE, INVESTMENT

### CITIC IN BID FOR \$2 BILLION TUNNEL PROJECT

HK300833 Hong Kong SOUTH CHINA MORNING POST in English 30 Apr 87 pp 1, 2

[Article by Peter Robinson]

[Text] China is attempting to take another slice of the territory's infrastructure with the formation of a consortium aiming to bid for the \$2 billion Tate's Cairn tunnel project.

Tate's Cairn will be the territory's longest and first privately developed land tunnel. The 3.9 km, four-lane tunnel will link Sha Tin and East Kowloon.

East Asia director of the French construction group, Dragages et Travaux Publics, Mr Michel Betant, said his company and China International Trust and Investment Corporation had formed the tunnel consortium with CITIC as co-promoter. The consortium intends eventually to go public if it wins the contract.

Mr Betant said CITIC would help look after the investment side.

"Since this is a public project we are talking to other Hong Kong investors. There are no details of any of the shareholdings yet since the consortium has not been finalised. CITIC and Dragages should take similar stakes.

"CITIC is also involved in the second cross harbour tunnel project which will be good experience for this project. We are very pleased to have CITIC on a long-term project like this."

The negotiations with CITIC have taken place over the last six months with CITIC director, Mr Larry Yeung. He was not available for comment last night.

The Beijing-based CITIC's major investments here are a 95 per cent rescue of the Ka Wah Bank made last year, a \$2 billion, 12.5 per cent stake in Cathay Pacific Airways and a stake in the second cross harbour tunnel. In February CITIC took a 20 per cent stake in a Hutchison Whampao consortium involved in a \$7 billion reclamation at Hung Hom bay.



Earlier this month CITIC announced approval from the State Council to turn itself into a "socialist conglomerate" of subsidiaries engaged in banking trading, investment, travel, property and overseas ventures.

CITIC is a unique institution in China in terms of scope and financial independence.

By the end of last year it had been involved in 177 projects involving overseas investment or technology in China with its own investments worth about \$5 billion. Since 1982 it has raised over \$56 billion through issuing bonds in Japan, Hong Kong and West Germany.

Two other major construction groups have joined the CITIC/Dragages consortium as partners, Skanska AB and the Shui On group. Wardley Capital Limited has been appointed as financial adviser.

Gammon (Hong Kong) Limited has also announced a consortium to bid for the tunnel project with a Japanese group. There may be other consortiums with tie ins between local companies and Japanese groups.

Chairman of Gammon Hong Kong Mr Richard Morris said last night: "We are also talking with Chinese interests but it is too early to say anything at this stage."

The government is presently finalising the tendering conditions for the tunnel. Regional Highways Engineer for Kowloon at the Highways Department, Mr K.C. Yeung, said: "The transport branch is writing up the proposal and it should be ready by the end of May. Then the consortiums will be given time, probably until September, to put together their bids. There will be a period of discussion with the government for several months and the project should start early next year, before summer."

The project will involve the clearance of about 16,000 squatters around the Diamond Hill area and the start of the project will depend to a large extent on the success of this move.

The tunnel will complement the Lion Rock tunnel and have a similar capacity with a two-way hourly traffic flow of 6,500 vehicles.

Mr Betant of Dragages said that the consortium would hope to complete the project before the 1992 date originally envisaged by the government. An earlier date is preferable due to the 1989 finishing date for the second cross harbour tunnel which will have a road link to Tate's Cairn.

Dragages is the main contractor for the tunnel for the Route 5 Sha Tin to Tsuen Wan road section presently under construction. It was also involved in the Lion Rock and Aberdeen tunnels.

A burning issue in major contracts here has been low tenders from Japanese-led consortiums due to "soft" government loans.

Director of project finance for Wardley Capital Corporation, financial advisers to the Dragages consortium, Mr David Levy said: "It is possible to boost competitiveness through various financing schemes. We have a number of innovative concepts. A long-term project like this needs fixed-rate financing and Hong Kong dollar financing to take away the exchange risk. But you cannot stop people bidding for projects and making a huge loss."

Many of the details of the project are open-ended at the moment so the exact cost is still uncertain. Mr Betant said: "Of the \$2 billion sum, two thirds would be for the tunnel itself and the remainder for the approach roads. The government itself may build these roads if they are not viable for the private sector."

Within a couple of years of operating the tunnel the consortium would take a listing on the stock exchange. It would either operate the tunnel itself or employ a management company. The franchise is likely to be for 25-30 years after which the tunnel reverts to the government.

It is envisaged that the tunnel will have four lanes, though there have been suggestions that six lanes might be more appropriate.

Dragages is part of the French Bouygues group which is also involved in the proposed Channel tunnel between France and England. It has been in Hong Kong for 32 years and an important sector of its overseas projects is in the territory.

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CSO: 4020/170

## FOREIGN TRADE, INVESTMENT

### BRIEFS

PATENT AGENCY IN HONG KONG--Beijing, May 1 (XINHUA)--China will open a patent agency in Hong Kong to handle the country's foreign business, patent office officials announced today. "The Kowloon-based NTD Patent Agency, Ltd., the fourth in China, will officially open June 1," officials said, "and since April 1, 1985, when China's patent law went into effect, the agency has handled 37,900 patent applications, with 10,700, or 28.2 percent, coming from foreigners. In addition to offering services to both domestic and foreign patent applicants, the agency will handle licensing and technology transfer," officials added. [Text] [Beijing XINHUA in English 0125 GMT 1 May 87 OW] /6662

XINJIANG-UYGUR TRADE WITH USSR--The Xinjiang-Uygur Autonomous Region's border trade with the USSR has developed rapidly this year. According to contracts that have been concluded so far, the total volume of import and export trade with the USSR will increase 75.6 percent in the first 6 months of this year, compared to last year. The Xinjiang-Uygur Autonomous Region's border trade with the USSR was initiated in 1986, and that year the total volume of import and export trade amounted to more than 9 million Swiss francs, while in the first half of this year it exceeded 17 million Swiss francs. [Text] [Beijing in Russian to the USSR 1800 GMT 13 Apr 87 OW] /6662

AUTHUR ANDERSEN CO IN SHANGHAI--Shanghai, April 11 (XINHUA)--Authur Andersen and Company, an international accounting firm, opened an office in Shanghai yesterday. "The company opened its first China office in Beijing in 1983, and since then, has established broad contacts with Chinese enterprises," according to a local official. The company now has 200 offices in 50 countries. [Text] [Beijing XINHUA in English 0928 GMT 11 Apr 87 OW] /6662

CHINESE-BUILT BRIDGE IN IRAQ--Baghdad, April 27 (XINHUA)--A 314-meter-long bridge built by the Chinese workers opened to traffic today on the highway from Iraqi capital Baghdad to the holy city of Najav. The Abassir bridge across the Euphrates River in Iraq, built at a cost of 12.16 million U.S. dollars, was marked by rare connecting cracks on its deck. Through the whole bridge deck, there are only two such cracks. The bridge has a traffic capacity of 100 tons, much bigger than the old bridge parallel to it. The bridge was designed by a Czechoslovak company. Chinese workers started the construction in March 1985. It was completed within two years and ahead of the contracted time. A ceremony was held today at the construction site to mark the opening to traffic of the bridge, which is the sixth Iraqi bridge built by the Chinese workers. [Text] [Beijing XINHUA in English 2355 GMT 27 Apr 87 OW] /6662

CHEMICAL AGREEMENT WITH KUWAIT FUND--Beijing, March 19 (KUNA)--An agreement on a loan for a polypropylene project in Luoyang, Henan Province, central China, between China and the Kuwait Fund for Arab Economic Development was signed here Thursday. The document was signed by deputy governor of Henan Province Zhao Zhengfu and director general of the fund Bader al-Humaidhi. Chinese State Councillor Zhang Jingfu welcomed Al-Humaidhi and his party, and later attended the signing ceremony. Chinese Minister of Foreign Economic Relations and Trade Zheng Tuobin also met the Kuwaiti visitors earlier today. [Words indistinct] the fund has provided China with loans totalling 240 million U.S. dollars, which have been used for nine projects. [Text] [Kuwait KUNA in English 1940 GMT 19 Mar 87 LD] /6662

PRC, IRELAND TRADE GROWING--London, March 27 (XINHUA)--Trade between Ireland and China has grown steadily in recent years with the overall volume reaching 25.2 million sterling (40.32 U.S. dollars) in 1986, according to a report issued by the Ireland-China joint commission. The joint commission was set up last May under an agreement on economic, industrial, scientific and technical cooperation between the two countries. During its first session held in Beijing last March, the joint commission discussed the current state of economic and commercial relations and cooperation between the two countries and the possibilities for further progress. The report said that China has considerable market potential for Irish exporters and China is committed to an open policy. [Text] [Beijing XINHUA in English 1652 GMT 28 Mar 87 OW] /6662

CSO: 4020/170

FINANCE, BANKING

FIRST ENTERPRISE-RUN BANK OPENS IN SHEKOU

HK090705 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1352 GMT 8 Apr 87

[Report: 'China's First Enterprise-Run Bank Begins Business in Shekou'--  
ZHONGGUO XINWEN SHE headline]

[Text] Today, Shekou China Merchants Steam Navigation Bank, run by China Merchants Steam Navigation Company Group Ltd, formally begins business. This is the first bank set up by a Chinese enterprise group.

With a registered capital of 100 million yuan that includes \$5 million, this bank was developed on the basis of a 2-year-old Shekou Finance Company and is a comprehensive bank engaging in both renminbi and foreign exchange.

At the opening ceremony, Yuan Geng, director of Shekou China Merchants Steam Navigation Bank, expressed that the establishment of the bank is only the beginning of the involvement of China Merchants Steam Navigation Group in finance.

He said that since the policy of opening up to the outside world and carrying out reform has been implemented in China, the old China Merchants Steam Navigation Company has developed from a company which only did shipping business into a multifunctional enterprise group engaging in diversified business and owning over 300 enterprises at home and abroad. Apart from its own central shipping business, its business range has expanded to setting up industrial zones, building and repairing ships, carrying on various industries and trades, providing service for the petroleum industry, and undertaking engineering projects, land communications, tourism, hotel projects and so on. As China Merchants Steam Navigation Group has millions of circulating capital per day, it is necessary to set up a powerful financial institution to amass and accommodate funds as a "backup" for the China Merchants Steam Navigation Group.

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CSO: 4006/581



## FINANCE, BANKING

### PRC AIMS TO RESTRICT STOCKPILING BY CUTTING LOANS

HK020541 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0252 GMT 28 Feb 87

[Text] Guangzhou, 28 Feb (ZHONGGUO XINWEN SHE)--A few days ago, Vice President Huang Yujun [7806 3768 1498] of the Industrial and Commercial Bank of China told this reporter that the bank would try to restrict the production of some stockpiled commodities, such as black-and-white television sets, videorecorders, cameras, wristwatches, and photocopying machines, and so on, by restricting the extension of loans to their producers.

Huang Yujun told this reporter that to raise funds, the People's Bank of China had approved the issuance of 1.5 billion yuan of bonds by the Industrial and Commercial Bank of China this year and that the latter would issue some new types of bonds in the future.

Huang Yujun said: This year, the Industrial and Commercial Bank of China will use its loans to support the development of energy industry, communications and transportation, the basic industries, elaborate textile processing industry, engineering industry, which can earn much foreign exchange for the country, the production of facilities and equipment for key construction projects, conglomerate commercial corporations, and the enterprise groups among mainland economic combines. In addition, the bank will steadily expand its foreign exchange business this year. It will extend both foreign currency and Renminbi loans to commodity production bases capable of earning foreign exchange and joint ventures capable of producing good economic results. In addition, depending on the growth of its business, the bank and some overseas banks may become correspondent banks.

It is reported that more than 3 million industrial and commercial enterprises have opened accounts in the Industrial and Commercial Bank of China in addition to its 300 million individual savings depositors. Last year, about half of the total amount of loans extended to borrowers by China's banks and financial institutions was contributed by the bank. In the first 2 months of this year, there was an increase in total savings deposits and the total amount of loans granted was decreasing. Vice President Huang Yujun said that he was optimistic about the development of the state of the bank's capital this year.

Huang Yujun was interviewed by this reporter while attending a national meeting of directors of the branches of the Industrial and Commercial Bank of China in Foshan.

At this meeting, which ended today, it was decided that starting from this year, the Industrial and Commercial Bank of China will deepen its reforms, the purpose of which is to turn the bank into a commercial organization [qi ye ma--0120 2314 0553] and establish the status of branches in the cities as operationally [word indistinct] units and that the bank's head office will empower the bank's branches in the cities to do business, to allocate credit (branches in the cities to do business, to allocate credit funds) to keep interest rates floating, to employ and dismiss cadres, to organize work, to distribute wages and premiums, and to retain and use profits, in order to invigorate them. In addition, the bank will apply a system of contracted responsibilities for management at some grass-roots savings banks on an experimental basis, expand its service by issuing large deposit certificates and keeping physical assets for people, and will actively support, direct, participate in, and organize lateral funds accommodation. Concerning its credit work, the bank will gradually develop its commercial bill discount service and secured loan service.

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CSO: 4006/501

REFORM OF BANKING SYSTEM, EMERGENCE OF MONEY MARKET

Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese  
No 2, Feb 87 pp 32-34

[Article by Chen Zehao [7115 3419 3185]: "The Reform of the Banking System and the Emergence of the Money Market"]

[Text] A close correlation exists between the reform of the banking system and the emergence of the money market. On the one hand, the reform of the banking system must be in line with the demands of the planned commodity economy to make possible the emergence of the money market; on the other, it is only by establishing the money market that the banking system can be further developed. For this reason, we should, in studying the major problems existing in the banking system, analyze the conflicts between that system and the establishment and development of the money market. In this article, it is the purpose of the author to explore certain aspects of the problems.

I

The conflicts between the existing banking system and the establishment of the money market may be summed up as follows:

A. Conflicts Between the Vertical Financial Management System and the Lateral Circulation of Funds

With further reforms being made in the banking system, a socialist banking system under the leadership of the People's Bank and composed mainly of various banking establishments and financial institutions sharing the work and cooperating with one another has tentatively been established. Following the establishment of the four specialized banks, however, they have, in line with the financial management system, been assigned the responsibility for the administration of separate funds. This sealed-off type of financial management has seriously hampered the lateral circulation of funds. A specific analysis of the problem has served to point up the following outstanding conflicts:

1. Conflict Between the Existing Banking System and the Reform of the Planning System

The basic premise of the planning system calls for gradually reducing a suitable degree of the scope of mandatory planning and expanding to a proper extent the scope of guidance planning. Both mandatory and guidance planning must take into consideration the law of values and

organize production in line with the demands of the state and the market. The intricate pattern of production and circulation is implemented through the lateral circulation of funds, while the vertical administration of funds often impedes the lateral circulation of funds among the various trades and businesses in point of time and in different areas and encourages the rampant expansion of commercial credit.

## 2. Conflict Between the Existing Banking System and the Development of Unity Among the Enterprises

The reform of the urban economic system calls for the vigorous development of lateral economic unity and the formation of groups of enterprises of various types with the expansion of the scope of autonomous powers given to the enterprises. To meet the demands of the commodity economy, it is necessary to readjust the structure of industries, commodities, and enterprises if economic effectiveness is to continue to be upgraded. However, the existing vertical and sealed-off type of financial administration is hardly calculated to promote to any extent lateral economic unity through the manipulation of funds.

## 3. Conflict Between the Existing Banking System and the Increase of Effectiveness in the Utilization of Funds

By resorting mainly to the vertical movement of funds, the various specialized banks exacerbate the imbalance in the amount of funds among the various banks. By failing to promote the lateral circulation of funds, they are instrumental in creating a shortage of funds.

For that reason, the reform of the banking system must meet the demands of the planned commodity economy. It must be accompanied by the reform of the "vertical" system of management at various levels. The reform must be focused on the need to make the adjustment of funds by the People's Bank system a principal means for the management of funds to reduce the mechanism used by the specialized banks for the vertical movement of funds and to increase the power of the People's Bank at different levels in various localities. The adoption of this type of financial administration would promote the lateral circulation of funds among the banks in the same area. To ascertain the feasibility of this type of financial administration, an experimental unit was set up in Shanghai whereby the head office of the People's Bank in Shanghai allocated a certain amount of funds to the various specialized banks in order to "sever the blood vessel" controlling the flow of funds between the head offices of the specialized banks and their branches while "maintaining a link in the nervous system" in operational policies so that within the financial year, the specialized banks might make use of their funds to accommodate one another. The advantage of this method of operation is that it helps to promote by gradual degrees the lateral circulation of funds within the same area. However, this piecemeal allocation of funds is likely to lead to the undesirable practice of segregating the various areas in the allocation of funds as well as to impede the lateral accommodation of funds among the various regions. For this reason, in order to resolve the conflict arising from the

vertical and lateral carving up of funds, banking institutions should be recognized according to the needs of the key cities and a multilevel network of banking institutions should be established according to the radiation range of the key cities.

#### B. Conflict Between the Existing Financial and Taxation Administrations and the Establishment of the Money Market

With the further implementation of the open door policy and the increase in the inflow of foreign capital, the imbalance in the need for foreign exchange among the enterprises has been further aggravated. Some of the enterprises have a surplus of foreign exchange and a shortage of RMB, while others having an adequate supply of RMB are in urgent need of foreign exchange. In order to resolve this conflict, the various state and collective establishments were permitted as of 1 July 1986 to make use of the cash and foreign exchange at their disposal to acquire foreign exchange from branches of the General Administration of Exchange Control in the various areas by paying a certain amount of subsidy on top of the list price to accommodate one another. However, the subsidy for purchasing foreign exchange for mutual accommodation is fixed and lacking in flexibility, while "the three kinds of enterprises of partially or wholly foreign-owned enterprises" with a surplus or a shortage of foreign exchange are able to engage freely in negotiating prices and to complete a transaction on the spot once approval has been given by the foreign exchange adjustment center. For this reason, it is necessary to establish a nongovernmental foreign exchange adjustment market that is able to exercise control over foreign exchange.

According to the present method for the issuance of stocks, dividends, and bonuses for individual shareholders, they are not permitted to exceed 15 percent. It is also stipulated by the tax departments that a 20-percent personal income tax is to be levied on dividends and bonuses paid to individuals. Taking 15 percent as the maximum amount paid to individual shareholders, their actual income amounts only to 12 percent, that is, only 2 percent over the 10-percent annual interest rate paid to holders of treasury bonds. Since individual shareholders have to assume the risk of incurring losses resulting from the faulty operations of the enterprises, they are obviously not interested in the buying of shares.

#### C. Conflicts Between the Lack of a Mechanism for Banks at the Basic Level To Take the Initiative in Their Development and the Establishment of the Money Market

The transitional period between the new and the old systems is also a period between the new and the old systems is also a period of transition between the various old and new banking systems. With the reform of the planning system, the scope of mandatory planning has been reduced and that of guidance planning enlarged while certain products are entirely subject to market adjustments. Under such circumstances, the past practice for the extension of loans in accordance with the plan approved by the state can no longer meet the needs of the new situation. Rather, consideration should be given to the loan policy



and such factors as whether or not the operational management of the enterprises is efficient and how well the products sell in determining whether loans should or should not be extended, the amount of loans, the length of the terms, and the rates of interest. Since market needs undergo constant change, the extension of loans involves constant risks. For this reason, the question whether or not the loan policy is correct depends on the economic effectiveness of the loans and whether they can be recovered on schedule. However, banks at the basic level have yet to devise a responsibility system that would establish a link among power, responsibility, and profit. In short, a rigorous mechanism is lacking among the banks at the basic level for engaging in development at their own initiative.

Because of the lack of a mechanism for banks at the basic level to develop at their own initiative, only an extremely small part of the profits realized can be used as welfare funds and bonuses for staff workers. Since such banks cannot use the profits from their operations to increase their credit funds, they have to look to the central bank for allocations. The shortage of funds over a long period of time is obviously prejudicial to the healthy development of the national economy. In short, overall consideration must be given simultaneously to the reform of the banking system and the establishment and development of the money market. On top of that, a whole series of reforms must also be undertaken by the concerned departments.

## II

The money market is emerging as the planned commodity economy is being developed. In recent years embryonic money markets have been established in a number of areas throughout the nation. With that as a start, the money market should be further developed.

### A. The Development of a Multilevel Lending Market

The lending market should be of many levels. First, it should be developed for establishment in the same line of business and within the same county and then for the People's Bank and the specialized banks and for the specialized banks themselves in the key cities. Second, with the key cities serving as hubs, lending operations should be developed among the various specialized banks within and beyond the same system in the surrounding counties. Third, lending operations should be developed among specialized banks within and beyond the same system in the key cities. It is only by establishing a crisscrossing network of lending markets for establishments in the same trade that it is possible to make good and flexible use of a limited amount of funds. From now on, the People's Bank should engage in lending operations so that, whenever the specialized banks are in temporary need of funds, it may engage in the extension of loans through the lending market and recall such loans on time at an interest rate that fluctuates according to the market situation.

## B. The Note Market

Commercial notes include commercial money orders and commercial cashier's checks. At present, it is first necessary to develop the note acceptance and discounting operations. Transregional note discounting operations (after such notes have been accepted by the banks) may be handled by banks within the six provinces and one city in eastern China. Judging by the way they came into being, commercial cashier's checks are the results of the development of the exchange of commodities. It was only after the emergence of banking institutions and the money market that commercial cashier's checks, apart from commodities and labor supply transactions, gradually came to be developed as a means for raising funds in the money market. It is only thus that commercial cashier's checks can be used as tools for the circulation of funds through the development of credit resulting from the exchange of commodities. From the developmental point of view, commercial notes can also serve as tools for the circulation of funds in our country. However, since the stock exchange market has yet to be fully developed and the central bank still finds it difficult to make use of open market operations to adjust the supply and demand of funds, commercial cashier's checks should first be developed as acceptable commercial drafts for the exchange of commodities rather than as merely tools for the calculation of funds.

In order to develop commercial note discounting operations properly, the People's Bank should, at the present stage, gradually increase the volume of discounting operations in order to make them a major means for the circulation of funds and the invigoration of the economy.

Although rediscounting operations play only a small part in the utilization of funds by the central bank, the rediscounting of notes nevertheless serves a special purpose in the extension of loans. First, each rediscounting transaction is backed by material supplies in the exchange of commodities; second, each rediscounting transaction clearly differs from a second loan in that the amount is repaid unconditionally at its maturation; third, in view of the short term of rediscounting transactions, the same amount of money can be used for different purposes to speed up the circulation of funds; fourth, the priority given to key trades and businesses in discounting operations serves to direct the flow of funds toward the economically effective departments; fifth, the rate of interest for rediscounting transactions can be determined according to the supply-and-demand situation in the market.

Rediscounting transactions used in part for the adjustment of the market are included in the total amount of funds for the extension of second loans by the central bank to the specialized banks so that the law of values can be utilized to the fullest extent to invigorate banking operations. Furthermore, market relations resulting from the use of the law of values, having a part to play in planned control and adjustment and reflecting the inseparable relationship between planned and market adjustment, act as a control mechanism for combining planning and the market into one single whole.

### C. The Stock Market

The stock market is generally made up of the primary market and the secondary market. the primary market is where stocks are issued, while the secondary market is where negotiable stocks are circulated and exchanged. Since the stock market in our country has yet to be fully developed, the primary and secondary markets can be combined at the early stage of their establishment. With the increase in the number of transregional joint collective enterprises in different trades and businesses, support and encouragement should be given to the enterprises to engage in the issuance of stocks and shares. At the same time, the enterprises should be encouraged to raise the funds they need for engaging in concerted lateral economic operations. To achieve this objective, negotiable stocks should be permitted to be circulated and exchanged so that stockholders may be able to sell them whenever they are in need of money and that short-term credit funds may be used for purchasing negotiable stocks. So long as they qualify to be put on the market, the stocks issued by the six provinces and one city in eastern China should be permitted to be bought and sold in the various stock markets. Under existing circumstances, the system for the buying and selling of stocks must go through a transitional period. First, bonds issued by the localities and reputable companies should be permitted to be circulated and transferred. With the gradual increase in the amount of funds in circulation in the market, they can then be circulated among the economically effective departments.

There are two ways to resolve such problems as the lack of appeal of stocks arising from the low rate of dividends and bonuses. The first is to exempt individuals from the payment of income taxes if the total amount of their investment profits, wages, and bonuses falls below the starting point for the payment of income taxes and to levy progressive taxes on the amounts above that limit; the second is to exempt individuals from the payment of income taxes if their dividends and bonuses do not exceed the amount of interest on the same amounts of money paid by savings banks and to levy taxes on any amount exceeding the amount of interest paid by savings banks so as to overcome the reluctance of individuals to buy stocks.

### D. Control over the Establishment of the Foreign Exchange Regulatory Market

In order to adjust the surpluses and shortages of foreign exchange, it is necessary to establish a nongovernmental foreign exchange regulatory market subject to certain controls. By control is meant that the utilization of foreign exchange should serve to promote the economic development of the region in question and that the use of foreign exchange should be approved by a branch of the Foreign Exchange Control Bureau. In order to develop foreign exchange adjustment operations, conscientious efforts should be made to put to use the law of values, to increase to a proper extent the adjusted price of foreign exchange retained by the concerned parties, to allow the price of foreign exchange to fluctuate within certain limits and to permit the central bank to make adjustments whenever necessary. At the early stage of its establishment, the foreign exchange adjustment market that is subject

to certain controls may be divided into two parts. One is to engage in foreign exchange adjustment operations among the domestic units; the other is to engage in foreign exchange adjustment operations among "the three kinds of partially or wholly foreign-owned companies." At the same time, it is necessary to set up a foreign exchange fund formed by funds retained by the localities and placed under the control of the central bank or entrusted to specialized banks to be bought and sold in the market.

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CSO: 4006/520

## SMALL-SCALE ENTERPRISES

### REHMIN KIBAO ON SOUTHERN JIANGSU TOWNSHIP INDUSTRIES

BR060615 Beijing, REHMIN KIBAO in Chinese 2 Mar 67 p 2

[Article by REHMIN KIBAO reporter Lin Zhijun (0467 1907 6511): 'Going out of the 'Bottom of the Valley'- Notes on Town and Township Industries in Southern Jiangsu (Part Two)']

[Excerpts] The situation of town and township industries in Southern Jiangsu was really sad in 1966. In Suzhou the situation was said to be a 'serlack,' in Wuxi, it was said to have gotten to "the bottom of the valley," and Changzhou regarded itself 'ranking last in the province.' The essence was the same although the situations were expressed in different words. The various economic indexes ran counter to the normal condition of a vertical upshoot and fell by a large margin in an overall way.

In Suzhou profits dropped 44 percent, in Wuxi 40 percent, and in Changzhou 29 percent:

The average number of enterprises suffering from deficits was 20 out of every 100 enterprises, and the total loss of the three cities was 120 million yuan, up by 130 percent from 1965.

The average output value was more than 2 yuan for every yuan of investment in 1965, but in 1966, the average output value dropped to around 90 fen for every yuan of investment.

Suzhou and Wuxi had a total debt of 7 billion yuan (of which 4.5 billion yuan was debts, and 2.5 billion yuan was credit loans), and the average per factory debt was 290,000 yuan, with a per capita debt of 3,500 yuan.

It was the first time that such a situation had taken place in the development of town and township industries in southern Jiangsu.

Of course, in judging the economic situation we should not rely on the ups and downs in figures to determine gains or losses; the more important thing is for us to see the essence behind the figures.

Right now, southern Jiangsu, which is at 'the bottom of the valley,' is starting to make a sober review of the strategy for development of local town and township industries. "The more and more strained external environment is an outcome of the change in the entire national economy from a 'heated air' into



a 'compressed air' situation, and such a trend is hardly reversible: therefore, it is our unshirkable duty to supply the rural undertakings with some funds," Kunshan County head Wu Kequan told this reporter. "These two realities will not be changed. Therefore, the only way out for town and township industries is to turn their eyes inward and to cure their inherent weakness." In fact, some town and township enterprises in souther Jiangsu have already paid attention to tapping their potentialities from within, with marked results.

Although few factories have put into practice decision-making based on "turning one's eyes inward" with good effects, the majority of enterprises have been pressed to adopt this road by the 1986 "crisis." More and more enterprises have begun to shake off the low level of production and to pursue advanced modes of production and operation. So long as the town and township enterprises in southern Jiangsu work hard along their direction, they are sure to climb to a new height.

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CSO: 4006/561

## SMALL-SCALE ENTERPRISES

### BRIEFS

SHANDONG TOWN ENTERPRISES--According to statistics compiled by the departments concerned, Shandong Province had 1.11 million town enterprises in 1986, a 343,900-unit increase over the 1985 figure, which accommodated 7.774 million staff members and workers, a 1.195-million-person increase over the 1985 figure. Their total income reached 33.49 billion yuan, a 38.4-percent increase over the 1985 figure. Their total industrial output value was 20.93 billion yuan, a 49.6-percent increase over the 1985 figure. They earned 3.76 billion yuan in profits, a 34.3-percent increase over the 1985 figure. [Excerpt] [Jinan DAZHONG RIBAO in Chinese 29 Mar 87 p 1 SR] /9274

CSO: 4006/581

## AGRICULTURE

### WORLD BANK LOANS BENEFIT RURAL DEVELOPMENT

OW181030 Beijing XINHUA in English 0941 GMT 18 Apr 87

[Text] Beijing, April 18 (XINHUA)--The construction of three large rural educational and scientific research projects with World Bank loans is going well, according to Chinese officials.

The three projects--the China Rice Research Institute, the China National Agricultural Books and Information Center and the China Livestock Research Center--began to receive World Bank loans, totalling 15 million U.S. dollars, in 1982. Capital construction, purchase of equipment and fixing of the projects have been completed, an official from the Ministry of Agriculture, Animal Husbandry and Fisheries told XINHUA.

World Bank officials expressed satisfaction over the progress of the projects after a survey recently, the official added.

The largest of the three projects is the rice research institute, which takes up 66 percent of the loans. Most of the buildings, including a biological engineering laboratory, and a library and information center, have been completed.

While construction is still going on, the institute has already begun 11 research programs, and has taken part in international cooperation projects.

For the national agricultural books and information center project, five major systems dealing with offset printing, data duplication, language teaching, microfilming and a data bank have been completed.

Construction of water and power supply systems and a road is now under way for the China Livestock Research Center.

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CSO: 4020/172

## AGRICULTURE

### RURAL LABORERS LEAVE LAND FOR INDUSTRY, TRADE

OW210156 Beijing XINHUA in English 0149 GMT 21 Apr 87

[Text] Beijing, April 21 (XINHUA)--China's surplus rural labourers have continued to leave the land for better-paid jobs in rural industries and trades, a move that will bring about greater overall prosperity in the countryside, CHINA DAILY reports today.

However, the number of people engaged in crop farming has increased mostly due to a bigger emphasis placed on grain production by local governments, the paper said by quoting the State Statistical Bureau.

Some nine million out of the total rural labour force of nearly 379.9 million people left the land last year with most going into local industries.

The bureau attributed the increased mobility of farmers to the on-going reforms which encourage the establishment of industries and service trade in rural areas.

It said the transfer of rural labourers has promoted rural productivity, stepped up a co-ordinated development in all fields of rural production and increased farmers' incomes.

Last year, rural labourers created an average social output value of 1,834.82 yuan (500 U.S. dollars) per person, an increase of 8.89 percent over 1985.

Of those engaged in rural industries and service trade, each labourer created a total output value of 4,423.4 yuan, much higher than the amount made by people involved in agricultural activities.

Farmers' income last year increased by 6.58 percent compared with 1985 to reach 423.76 yuan per person.

However, the bureau said, the developments for farmers in the eastern part of China had been much faster than in the western part of the country as the latter was economically less developed. It called attention to problems arising from shortage of labourers in farmland in areas where township enterprises are highly developed.

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CSO: 4020/172

## AGRICULTURE

### AGRICULTURE MINISTRY FORESEES GOOD SUMMER CROPS

OW211224 Beijing XINHUA in English 1151 GMT 21 Apr 87

[Text] Beijing, April 21 (XINHUA)--Summer crops look well in all areas in China, except the middle and lower reaches of the Yangtze River, according to the Ministry of Agriculture, Animal Husbandry and Fisheries today.

With the harvest season only about two months away, the ministry urged greater efforts to do well in field management while being prepared both materially and mentally for another dry spell before the harvest season so as to win a good harvest.

According to the ministry, this year China planted more than 30.6 million hectares of summer crops and most of them promised well.

In the winter-spring period, most parts of the country received less rain than usual, and drought in both north and south China affected the sowing of summer crops and the field management.

After several months efforts to combat drought, all places managed to ensure a full crop and the recent rains have eased or eliminated drought and the crops now have a good showing. But the freezing weather earlier this year has resulted in poor showing of crops, which were not as well as usual.

An official from the Ministry of Agriculture, Animal Husbandry and Fisheries said that peasants in many grain-producing provinces are busy watering and topdressing the summer crops. Peasants in the waterlogged provinces of Jiangsu, Anhui and Hubei are applying more farmyard manure to the fields while draining the water.

Summer grain crops are mainly wheat and rice and the output usually makes up one-third of a year's total.

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## AGRICULTURE

### FOREIGN INVESTMENT USED IN AGRICULTURAL PRODUCTION

OW261408 Beijing XINHUA in English 1346 GMT 26 Apr 87

[Text] Beijing, April 26 (XINHUA)--China used more than 1.28 billion U.S. dollars of foreign investment for developing agricultural resources, agriculture-related human resources and urban foodstuffs production during the 1979-1986 period, according to the Ministry of Agriculture, Animal Husbandry and Fisheries today.

The investments have been used in more than 180 projects, most of which have been proceeding well, an official from the ministry said.

The funds were provided by the World Food Programme, the United Nations Development Programme, the Food and Agriculture Organization of the United Nations, the World Bank as well as the governments of Canada, Australia, the Federal Republic of Germany, the European Economic Community and some other countries and organizations. These include the 460 million U.S. dollars provided by the World Bank and the 629 million U.S. dollar loans by the World Bank.

During the eight years since 1979 the World Food Programme granted China gratis about 1.65 million tons of wheat, 40,000 tons of de-fatted milk powder, 13,000 tons of butter and other foodstuffs. About one million tons had arrived by the end of 1986 and over 10 million people in 22 cities, provinces and autonomous regions benefited.

The agricultural items in north China plain had used 70 percent of the loans by the World Bank resulting in an increase of 84,000 hectares of irrigated farmlands, 87,000 hectares of farmlands which can prevent waterlogging and some other improvements of farmlands by the end of last year.

Eighteen scientific research and educational institutions of the Ministry of Agriculture, Animal Husbandry and Fisheries, the Ministry of Forestry, Ministry of Water Resources and Electric Power and the national meteorological bureau have introduced 7,466 sets of advanced equipment and 98 percent of them have been used.

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CSO: 4020/172

## AGRICULTURE

### FREE MARKET BUSINESS RISES 29 PERCENT in 1986

HK150254 Beijing CHINA DAILY in English 15 Apr 87 p 3

[Article by Niu Qiuxia]

[Text] Competition from a rising number of free markets is being keenly felt by state-run grocery stores as more and more people turn to depend on the markets for non-staple foods.

Free markets are very popular with residents of small cities. In cities with a population below 200,000, people buy 45.8 per cent of their food in the markets. For residents in cities with a population ranging from 200,000 to 500,000 and 500,000 to one million, the figures are 39.3 per cent and 32.7 per cent respectively. In cities with a population above one million, the percentage is 21.2.

There are now 67,610 free markets in China, according to the State Statistics Bureau, an increase of 5.43 per cent over 1985. Among them, 9,710 are in cities.

Free markets now share the market with state-run grocery stores in most cities for poultry, fruit and vegetables. People bought 73.5 per cent of their vegetables in free markets last year while in 1984, only 41.7 per cent of their vegetables came from the markets.

While free markets have taken a larger share of the fruit and vegetable trade, their meat and fish are not so popular. People still tend to trust state-run groceries for the quality of such goods. Sales of meat in the free markets only account for 43.7 per cent of that of state-run stores.

The volume of business of the free markets last year topped 90.65 billion yuan, an increase of 29.13 per cent compared to 1985. The figure for free markets in cities was 24.44 billion yuan.

With rising living standards, top quality food containing higher proportion of protein is demanded by customers, leaving room for the free markets to be further developed.

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CSO: 4020/172

## AGRICULTURE

### COOPS 'PIVOTAL' IN LINKING URBAN, RURAL AREAS

HK200740 Beijing CHINA DAILY in English 20 Apr 87 p 2

[Article by staff reporter Wu Xue: "Co-ops Tighten Urban-Rural Link"]

[Text] China's rural supply and marketing co-operatives have quickly grown to become a pivotal force in linking urban and rural areas, making continuous efforts to further strengthen their role in the exchange of urban and rural commodities, according to Vice-Minister of Commerce Pan Yao.

The co-ops, organizations established in the early 1950s with funds raised by farmers under state auspices, mainly market agricultural and sideline products and supply manufactured commodities to rural areas.

A reform of co-op management began in 1982, restoring collective ownership so that they could operate more flexibly and democratically. This is in line with the need for rapid development in the countryside in recent years.

With 32,000 supply and marketing co-ops at the grassroots level and 2,100 at the county level, the co-ops have formed a network covering 85 per cent of China's rural areas. The services they provide have greatly expanded, and their management has become more diversified and flexible, Pan said.

The co-ops provide farmers, specialized households and rural enterprises not only with production materials, but also with economic information, technology, and processing and transport services. They had set up 35,000 processing enterprises with other industrial partners by the end of last year, 18,000 more than in 1981. The annual output of these processing industries has reached 16 billion yuan (\$4.3 billion), 2.4 times that of 1981.

In co-operation with farmers, they have developed direct relations with urban wholesale and retail businesses, supplying cities with agricultural and sideline products and purchasing industrial commodities for the countryside.

To further expand material exchanges between different businesses and regions, they have set up 2,000 trade centres and wholesale markets for agricultural and sideline production in cities.

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## AGRICULTURE

### GUIZHOU PEASANTS INCREASE PRODUCTION INVESTMENT

HK210557 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 20 Apr 87

[Text] A recent survey conducted by statistical departments of 2,240 peasant households in 32 counties, cities, districts, and special districts shows that peasants in the province have correctly handled the relationship between production and consumption, and the increase rate of production is higher than that of consumption.

Since the beginning of last year, while further improving their livelihood, the peasants have paid attention to increasing investment in production so as to bolster the reserve strength for developing production. The per capita annual expenses of the province's peasants last year reached some 397 yuan, an increase of 8.28 percent over 1985. Of this, a family's living expenses was 102.64 yuan, an increase of 12.47 percent over 1985; and the per capita annual living expenses reached 271.86 yuan, an increase of 6.79 percent over 1985. The increase in input production rate was higher than the increase in living expenses.

To further develop production this year, the peasants are willing to spend money buying the means of production, thus resulting in shortages in such means of production as fine varieties of crops, cattle, and chemical fertilizer. The province has so far sold 3.18 million kg of hybrid rice seeds, a record high in recent years. From January to March, the province sold 352,000 ton of chemical fertilizer, an increase of 55.6 percent over the same period last year.

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CSO: 4006/548

## AGRICULTURE

### SCIENTISTS DISCUSS LAND PROBLEM, OTHER ISSUES

OW091017 Beijing XINHUA in English 0636 GMT 9 Apr 87

[Text] Beijing, April 9 (XINHUA)--Scientists have urged government offices at all levels to give equal weight to China's decreasing arable land area and the country's population problem, today's GUANGMING DAILY reported.

Speaking at a meeting sponsored by the State Science and Technology Commission, Shi Yuanchun and other scientists said, "China's average arable land per capita is 0.093 hectares, only 33 percent of the world average, and every year about 667,000 hectares of arable land are lost."

Scientists blame the problem on using arable land for office and residential building sites, soil erosion caused by sand, and the infiltration of salt water into inland areas, the paper said.

To solve the problem, the scientists suggested tightening land use controls by legal and economic measures.

"China must emphasize upgrading low-yield land and encourage wasteland reclamation," the scientists said.

"If 73 million hectares, or 83.3 percent of China's arable land is upgraded to high-yield status, an additional 122.55 million tons of grain could be harvested," they said, "and upgrading low-yield land is more economical and efficient than reclaiming wasteland."

"China has 6.7 million hectares of wasteland scattered in remote areas and locales with poor natural conditions and inadequate transportation facilities," the paper said.

Scientists proposed taking effective measures to encourage upgrading rural low-yield land, and introducing the required up-to-date technology.

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## AGRICULTURE

### SOWN LAND AREA INCREASES AS ARABLE LAND AREA FALLS

HK150258 Beijing CHINA DAILY in English 15 Apr 87 p 1

[Article by staff reporter Guo Zhongshi]

[Text] The total area of crops sown so far this year has increased by an estimated 1.5 percent over 1986, in which more than 800,000 hectares of arable land were lost.

An official of the State Statistics Bureau told CHINA DAILY that the total amount of arable land in China is expected to continue to drop this year, but that sown areas will enlarge as a result of new initiations for farmers.

The shrinking of arable land is mainly the result of state and local construction on farmland and afforestation of farmland area, the official said.

A sample survey conducted by the bureau on crop-growing in 28 provinces, municipalities and regions shows that 19 of them have increased grain cultivation. Only nine provinces and regions reduced the amount of grain sown.

The bureau did not say why Tibet was not included in the survey, which covered 84,000 rural households.

Grain-sown areas grew by 1.8 percent in the country's 37 grain-producing areas devoted to summer grain and early rice have remained near last year's level.

According to the survey, the amount of area for cotton growing has shown signs of rising following two years of decline. The amount of land sown for cotton this year is expected to be 5.7 percent more than last year.

The bureau attributed the increase to the emphasis placed on grain and cotton growing and a series of incentive policies adopted by local governments across the country.

Areas devoted to oil-bearing crops are to be kept at last year's level, but areas for cultivation of rapeseed are to expand by 3.2 percent over last year.

According to the survey, oilbearing crops such as sunflowers, sesame and peanuts, which yield comparatively low economic benefits, will have their sown areas reduced by 30.8 percent, 4.8 and 0.5 percent respectively.

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## AGRICULTURE

### MECHANIZED FARMING ON RISE AFTER YEARS OF DECREASE

OW120721 Beijing XINHUA in English 0621 GMT 12 Apr 87

[Text] Beijing, April 12 (XINHUA)--More acreage in China is tractor-ploughed now after years of decrease in the use of machines for cultivation, the latest issue of BEIJING REVIEW reported.

The responsibility system, under which farming is done on a household basis, was one factor for many farmers returning to traditional methods of agriculture.

But last year, farm machinery used throughout the country had a combined power of 228 million kw, up 9.1 percent over the 1985 figure, and topping the 7.2 percent average annual growth rate for mechanized farming during the Sixth Five-Year Plan period (1981-85). Area now under mechanized cultivation total over 38 million hectares, a jump of 3.1 percent, with 310 million hp being used.

"These increases demonstrate that the family-based contract system may not be an obstacle to China's farm mechanization," said an official at a national meeting on farm mechanization ending late March in Nanhai County, Guangdong Province.

During the current rural reforms, China's agricultural mechanization has undertaken a self-transformation. The state monopoly over the production and marketing of farm machinery has given way to market regulation. Farm machinery has entered the rural market along with other commodities, and farmers can now decide for themselves what to buy for their farming needs.

Statistics show that individual farmers now own some 4.71 million tractors--88 percent of the nation's total, with the number in operation increasing from 3.94 million in 1985 to 4.71 million in 1986. More than 92 percent of the so-called "walking tractors" are individually owned. That means nine of every ten tractors produced last year were sold to individuals.

Farm officials attribute the increase in farmers buying farm machinery to their heightened enthusiasm for investment in farming, now that they find it can save manpower and greatly increase productivity. Those farmers in more

economically developed areas are particularly inclined to buy tractors because a large part of the labor force in their regions is turning to rural industries and service trades for employment.

Other modern agricultural techniques are also applied more widely. For instance, areas with machine-applied plastic film cover to protect seedlings reached 125,000 hectares in 1986, up 57 percent over 1985.

Modern agricultural machinery is finding favour with Chinese farmers and many have chosen the road of mechanization especially when they have been once again urged to cultivate more acres of crops by a recent state circular.

According to the circular the total national grain output this year is scheduled to reach 405 million tons; the cotton output is to be increased by a fairly big margin as well. Rapeseed and sugarcane, however, must recover from their previous reduction in output.

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CSO: 4020/171

## AGRICULTURE

### ZAOHE PUMPING STATION READY TO BEGIN OPERATION

OWO91109 Beijing XINHUA in English 1053 GMT 9 Apr 87

[Text] Nanjing, April 9 (XINHUA)--The Zaohe river pumping station is ready to start operation and will be a vital link in getting water from southern China to the north.

Located on the bank of Luoma lake, northern Jiangsu Province, the station boasts the two largest water pumps in the country.

Southern China gets adequate rainfall, and in a bid to supplement the north's water supply necessary for industry, agriculture and daily use, the province started a series of water conservation projects in 1961 to redirect water from the Yangtze river to the north.

An official from the Jiangsu water conservation administration said, "When completed, the eight phases of construction will draw water north of Jiangsu Province, and the entire project involves 13 pumping stations."

The Jiangsu pumping station on the northern bank of the Yangtze river is the project's starting point, and the grand canal from Beijing to Hangzhou will serve as the main channel for redirecting the flow.

The Zaohe station, the sixth phase of the project, will draw water from the Yangtze river to Luoma lake and then to Xuzhou, north Jiangsu's main industrial center, via the Liushan and Xietai pumping stations. Zaohe will also provide water for irrigating 200,000 hectares of farmland and flood drainage for 750 square kilometers.

Eventually the project will be able to divert water from the Yangtze river as far north as Beining and Tianjin 1,000 kilometers away.

The project will start operation in two stages, the first will redirect water to southern sections of the Yellow River in Shandong Province, and the second will draw water to Tianjin.

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CSO: 4020/171



## AGRICULTURE

### PESTS, DISEASE THREATEN MAIN WHEAT PROVINCES

HK090436 Beijing CHINA DAILY in English 9 Apr 87 p 3

[Article by staff reporter]

[Text] Pests and disease are threatening crops in China's three main wheat producing provinces of Henan, Shandong and Hebei.

Wheat midge, wheat scab, aphids, wheat red mite and powdery mildew are mainly to blame, an official from the General Station of Plant Protection of the Ministry of Agriculture, Animal Husbandry and Fisheries, told CHINA DAILY yesterday.

"Abnormal weather this winter has allowed the pests to breed," he said.

Statistics show that last year, the areas affected caused by wheat midge, aphids and wheat scab reached 2.47 million hectares, 9.8 million hectares and 2.27 million hectares respectively. So 1.1 billion kilograms of wheat have been lost.

According to a survey conducted in 9 provinces and areas, wheat midges will affect 2.47 million hectares of the wheat fields in Shanxi, Henan, and Sichuan. In addition, large areas in Shanxi, Anhui, Hebei and Jiangsu provinces will be attacked.

Wheat midges occur mostly in the Yellow River and Huaihe River areas, and it increased suddenly last year in Henan Province.

Forecasts show that this year 733,000 hectares of wheat will be damaged by midges in Henan Province because of higher temperatures and a wet spring.

Wheat scab occurs mostly in Henan, Hebei and Shandong.

Wheat aphids are another problem, the official said. According to a survey conducted in Henan, Shandong and Hebei, aphids will affect about 4.67 million hectares of wheat.

"Wheat aphids are mostly in the north, but they have been increasing in the past few years," said the official. "Last year, the damaged area in the three provinces reached 6.7 million hectares."

Wheat red mite is likely to affect 2.8 million hectares in Henan, Shandong and Hebei, 20 days earlier than expected.

Wheat powdery mildew is common in the three provinces. It is estimated that 1.7 million hectares of wheat will be affected.

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(SO: 3020/1/1)

## AGRICULTURE

### DEVELOPMENT OF SUGAR BEET PRODUCTION DISCUSSED

Harbin NONGCUN FAZHAN YANJIU [STUDIES ON RURAL DEVELOPMENT] in Chinese No 6, 1986 pp 11-12, 19

[Article by Cai Bao [5591 5508], the Sugar Beet Research Institute of the Chinese Academy of Agricultural Sciences: "A Discussion of Several Issues in the Development of Sugar Beet Production"]

#### [Text] I. The State and Future of Sugar Crop Production in China

In the past few years an excellent situation has taken shape in sugar crop production in China: our sugar crop growing area has increased notably and unit yield and gross output have risen without interruption. In 1984 the sugar cane growing area reached 10,921,000 mu, with a per-mu yield of 3.62 tons and a gross output of 39,519,000 tons. These figures represent increases of 3,241,000 mu, 0.408 tons, and 18,012,000 tons, respectively, over 1979. Sugar beets have developed as rapidly as has sugar cane. In 1984 the sugar beet growing area measured 7.53 million mu, with a per-mu yield of 1.1 tons and a gross output of 8,284,000 tons.

In the wake of the expansion in sugar crop growing area and the increase in unit yield, production in the Chinese sugar industry has grown rapidly. In 1984 it produced a gross output of 4,315,000 tons of sugar, up 90 percent over 1978. This averages out to an increase of 340,000 tons per year. Although sugar industry production has developed quickly in China, it has never been able to meet the needs of our growing population and constantly rising standard of living. China began importing sugar in the 1950's, and as of 1983 we had imported 20,826,000 tons and spent 4.542 billion dollars importing an average 631,000 tons of sugar per year. Figuring average sugar holdings at 6 to 7 kg per capita, (in 1983 the world average was 20.7 kg of sugar per capita), by 1990 China's 1.1 billion people will need a total 6.60 to 7.70 million tons of sugar and will fall short by 2.29 to 3.39 million tons. Beginning in 1986 demand will increase 458,000 to 678,000 tons per year.

#### II. The Major Problems In Beet Production in China

Sugar beets are China's second largest sugar crop, and they hold a decisive position in whether we can guarantee sugar self-sufficiency. Looking at the current state of beet production, various factors have contributed to a

reduction in growing area and a slowing in the progressive increase in annual sugar output. Output between 1983 and 1984 rose 22.3 percent less than it did in each of the preceeding 4 years (1979 to 1982). Heilongjiang is China's principle producer of beets, with over 60 percent of the nation's beet growing area and over 50 percent of its beet sugar yield. Historically, the beet growing area there surpassed 5 million mu and annual sugar output exceeded 500,000 tons. However, by 1984 Heilongjiang's beet growing area was considerably reduced, having dropped to 4,576,000 mu, and sugar output had declined to 441,900 tons. Historically, Jilin held second place in China's beet growing area and output, but in recent years farmer enthusiasm for growing beets has waned and growing area has been markedly reduced. In 1984 beet sugar output dropped to 72,400 tons, or only 44.9 percent as much as is produced in the Nei Mongol Autonomous Region, and Jilin dropped to third place. These facts illustrate that we should not be sanguine about the state of beet production. The major reasons for this are as follows:

1. Policies keep changing. Taking Heilongjiang as an example, in 1984 the province implemented the "quality-based pricing" method of procurement, and in 1985 it changed again to the "base price plus floating price" method of procurement. Originally, no fault could be found with quality-based pricing of commercial crops. The problem was that during the two years the new method was being tried out, no farmers producing a top-quality product gained material benefits therefrom. In 1984, when the new procurement method was put into effect, no quality-based procurement contracts were signed with farmers; the system was forcefully implemented in the autumn. In the process of implementation, because testing measures were faulty, precision was low, and some procurement personnel cheated, low-quality sugar brought a lower price but high-quality sugar did not bring a higher price. In the procurement method of 1985, the average annual sucrose content of beets in the local area (the sugar was divided into datum lines) was used to set the base price (75 yuan), from which the price could float up or down. According to this procurement method, only when the beets' sucrose content exceeds the datum line by 2 percent can the procurement price equal the pre-1983 level (85 yuan per ton). This method does not take into consideration natural advantages, and high-sugar regions get the same price as low-sugar regions. Farmers in high-sugar regions received no material benefits. It is no wonder that the farmers say "All the changes in policies are covert means of reducing prices and transferring industrial losses to farmers."

2. Agricultural aid measures are gradually being eliminated, and this is disadvantageous to developing beet production. In the past the sugar mills universally offered agricultural aid measures such as no-interest loans for chemical fertilizer, cost-free pesticides supplies, and half-price seed. In recent years, because state credit has declined and in order to reduce sugar mill costs and expenditures, one after another the sugar mills have eliminated fertilizer loans and other preferential policies and dampened farmer enthusiasm.

3. It has been difficult to sell beets, so a bumper harvest does not increase income. China's beet-producing provinces (and autonomous regions) all practice the "two, two, six" procurement method. That is, during both the warm beet season and the freezing beet season they buy 20 percent, and during

the frozen beet season they buy 60 percent. Prior to purchase, the beet stations grant procurement tickets. In order to reduce losses in the fields, farmers do not hesitate to spend a high price to hire motor vehicles to transport their beets. They even go so far as to use pull to buy procurement tickets, giving rise to rampant unhealthy tendencies. In the procurement process, the number of miscellaneous deductions and koutu [2099 0960] tends to rise and farmers' output increases while income does not. Right now, although we have adopted measures to convenience farmers, such as business deregulation and the establishment of more procurement networks, sugar mills do not pay beet freight charges but still require farmers to pay service charges. This has increased the burden on farmers. In 1985 Nei Mongol reaped a bumper beet harvest, but the implementation of a price-cutting procurement policy outside of the state plan caused the farmers to sustain losses. In 1986 the beet growing area in Bayannur Meng alone declined 20 percent or so.

### III. A Few Ideas on Developing Beet Production

1. Formulate stable policies to promote agriculture. Since the 3rd Plenum of the party's 11th Central Committee, our experience in developing agricultural production verifies that we can arouse farmer enthusiasm and stimulate growth in agricultural production. Inappropriate policies can severely dampen farmer enthusiasm and destroy growth in agricultural production. To formulate economic policies on beet production we must proceed with the overall situation in mind and pay attention to social and economic interests. We must conscientiously correct the mistaken idea that farmers should make up for industrial losses. Sugar mills should restore their previously effective agricultural aid measures and give farmers the necessary financial support. At the same time they should use every means at their disposal to resolve the problems farmers are having selling beets. Policy-making bodies should quickly improve existing procurement methods, which covertly reduce prices. If we are truly to achieve top prices for top quality, we must set rational datum lines for sucrose content and use advanced testing methods. At the same time, we must establish rigorous quality testing standards and control systems. I believe we should now use the sucrose content ratio stipulated by most countries (10 percent) as our datum line for sucrose content, rather than using the average sucrose content in a local area over a 10 year period. In testing measures must use a shiguang [2457 1342] sucrose detector as the standard method. We cannot use a hand-held sucrose gauge for testing, as it is imprecise and easily allows cheating. Sampling must also be scientific and rational. According to trials conducted by our institute, for a batch lot of about 1.5 tons, a sample of at least 20 representative specimens must be selected for the sample to be representative.

2. We should readjust beet procurement pricing. Beets require a large quantity of fertilizer and a great deal of manual labor, and consequently costs are rather high. A low price for beets will inevitably affect farmer enthusiasm for growing them. Right now the price of beets ranges from 85 to 90 yuan per ton nationwide, and this price has risen slowly compared to prices of other crops. In 1952 100 kg of soybeans could be exchanged for 3.32 times more table salt, white sugar, plain white cloth, firewood, and kerosene than could 100 kg of beets. After 1981 100 kg of soybeans could be exchanged for 8.256 times more of the above daily necessities than could 100 kg of beets.



In the process of readjusting the planting composition, soybeans are the opposite of beets. Soybeans consume little of the soil's nutrients, and can also accumulate a large quantity of nitrogenous nutrients for later crops, so they are good for restoring soil fertility. Soybean cultivation requires little manual labor and low inputs, and soybeans bring a high price and are easy to sell. To promote the development of beet production and satisfy the needs of the sugar refining industry, I suggest that we suitably increase the procurement price for beets. In view of the fact that the cost of sugar is rising and the sugar refining industry is earning low profits--some are even losing money--I suggest that commerce yield appropriate profits to industry or eliminate the second level of commercial stations and sell sugar directly from the sugar mills.

3. We must concentrate on building beet production bases to improve production conditions. Heilongjiang, Jilin, Nei Mongol, and Xinjiang are China's beet-producing regions, encompassing 90 percent of the beet growing area in China. Based on existing conditions, it will be suitable to construct 13 beet production bases in these four provinces (and autonomous regions) during the Seventh 5-Year Plan. They should have a growing area of approximately 2 million mu, or about one-fifth of our total beet growing area, and gross output should be planned to reach 4 million tons, or about 26.7 percent of China's total beet output. In the process of building these production bases, the state should offer financial aid and do a good job of constructing water conservancy support facilities and mechanizing agriculture so as to improve production conditions and increase the standard of scientific cultivation. It should establish joint agricultural, industrial, and commercial enterprises; unify management of production, supply, and marketing; and do a good job on scientific research and technological extension work. And, it should enhance technical training to ensure that base construction and intellectual development proceed in step with each other. Through efforts in every area, we should strive to produce a per-mu yield of 2 tons or more and approach the world average in per-unit beet yield.

4. We must enhance scientific research, concentrate our efforts on unit yield, and constantly increase the sucrose content of our beets. The yield of beets per unit of area in China is quite low. Our per-mu yield is only 1.1 tons, which is less than half of the average unit yield for the rest of the world. Gross output is unstable and we are unable to meet the refining capacity and demands of our sugar mills. The sugar refining capacity of Heilongjiang, Jilin, Nei Mongol, and Xinjiang is 1.08 million tons, whereas their actual sugar output measures only .98 million tons. In recent years the sucrose content of our beets has been declining, and this is particularly prominent in the older beet-producing regions. To counter this problem scientific research units must focus on breeding high-yield, top-quality, multi-resistant new varieties; propagating and popularizing them rapidly; and achieving standardization of fine varieties as quickly as possible. At the same time, we must take steps to standardize cultivation techniques and administer low-sugar regions comprehensively. At the same time as we suitably expand the growing area, we must raise the unit beet yield to a new level.

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## AGRICULTURE

### CHOICES IN ANIMAL HUSBANDRY INVESTMENT

Hohhot NEI MENGKU RIBAO in Chinese 20 Feb 87 p 4

[Article by Yun Shengyu [0061 3932 7183]: "Getting the Most out of Investments in Animal Husbandry"]

[Text] Now that the autonomous region has decided on a strategic goal--"rely on grass cultivation and invigorate animal husbandry," it must take practical effective measures to turn it into strategic action. Investment is an important way to influence economic development. It must modernize its thinking, free itself from the strictures of the orthodox economic model and the traditional pattern of fund allocation, and take positive measures so that what limited funds it invests to energize the animal husbandry industry will generate the due results.

For years the selection of investment climate and projects in Chayouhou Banner has been beset with problems, among the most striking of which are wishful thinking in the choice of investment climate, shortsightedness in the use of government appropriations, freedom of investment users from the risks and liabilities of investment, and an outdated idea of dependency on the state encouraged by investment distributors. Moreover, charity-like egalitarian distribution, scattered investments, and investments prompted by considerations of personal relations have all led to poor returns despite substantial government outlays. Reviewing the history of investment and its mistakes makes us realize that to set an investment policy for the animal husbandry industry, we must break with convention, explore, and reform assiduously:

1. The choice of investment climate and goals must be based on research and studies. We must conduct scientific studies and put our money where it will do the most good. Before making an investment decision, we must study and examine the external environment--resources, markets, and social strength--and internal environment--leadership, expertise, technology, accessory equipment, and business management--thoroughly and conscientiously. Such investigation would provide the comprehensive factor and important basis for our choice of investment project and investment climate. Only an environment selected this way can bear a bumper crop of economic results. In the past, we decided on a project first and then carried out feasibility studies, which often wound up as a justification for the project. Inevitably such behavior was invalidated

by natural and economic principles. This is the reason why our investments had poor returns.

2. The guiding principles of investment must revolve around these ideas: limited investments, ample output, short lead time, high economic results. We must choose our first projects correctly and develop them assiduously in order to enhance our capacity to create wealth. If a project is unprofitable, we should not tackle it however small its initial outlays. As for projects that take enormous sums of money just to get started, they should best be left alone or kept to a minimum even if they are profitable. We must concentrate our resources on and give preference to projects which require minimal initial investments, pay off quickly, and produce good results. About the problem of insufficient funds, we must begin with what we have at hand before looking further afield. We must start small and work our way to bigger things gradually. We must expand accumulation and then develop production.

3. We must revolve investment around the animal husbandry industry, placing the strategic focus on the household economy of the peasant and herdsman, and directly mobilize the masses' economic strength to develop commodity production. At the same time, we must pay attention to strong industries and weak links in the countryside. In the case of Chayouhou Banner, we must first zero in on water conservancy works, tapping potential and building up related facilities in order to change production conditions. We must work hard at intensive farming and build up successful small agricultural areas. Second, we must increase the proportion of investments in the primary industry (forestry, grass, and animal husbandry), and designate grass cultivation as an investment priority. Concerning the forestry industry, we should step up investments in shrub cultivation. As for grass cultivation, we should promote the use of man-made grass and expand the proportion of investments in the popularization of high-grade strains of pasture grass. Most planned rotational pastures should be developed on "barren" land or farmland withdrawn from cultivation. Within the animal husbandry industry, investments in the development of herbivores should be increased, focusing on the three animals--"pig, poultry, and rabbit"--and seasonable fattening of cattle and sheep and three-dimensional animal husbandry. Third, township and town enterprises and the commodity economy must be developed against to spur the in-depth development of the secondary (the processing of agricultural and animal husbandry byproducts) and tertiary industries (services).

4. Reform the investment system. Funds from all sources should be pooled for centralized allocation. All kinds of national construction investments, whatever their sources and amounts, should be put at the disposal of the banner for its centralized distribution and use. Financial agencies at the township, town, and sum levels should put the following into agricultural and animal husbandry development funds: national investments for special projects, land use fees paid by individuals or units, a portion of the after-tax profits turned over by township and town enterprises, accumulation funds paid by peasants and herdsmen, livestock and property appraisal fees derived from the system of contracted responsibility, and all public accumulation that belonged to the original communes and teams. Special funds should be spent for technical purposes. The use of funds must be paid for. Funds must be handed out as loans that have to be paid back, accumulating gradually "snowball-

like." Lending should take the form of secured loans. In other words, a borrower should be required to give the lender collateral as a material guarantee before the money is lent. When the borrower fails to pay back the loan by a specified time, the collateral becomes the lender's property.

5. Modernize our ideas and step up leadership over financial work. Our longstanding dependence on the state to maintain simple reproduction has bred financially incompetent cadres who may be in charge but who are poor economic managers. This situation must be brought to an end as soon as possible. Cadres at all levels must study harder, familiarize themselves with financial work, master market, scientific, and technical information, and develop the ability to forecast the outlook for production development so that the input of limited funds will pay off handsomely.

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CSO: 4006/509

## AGRICULTURE

### GOVERNMENT RAISES COTTON PRICES

Beijing JINGJI RIBAO in Chinese 17 Mar 87 p 1

[Article by Chen Qigan [7115 0796 3227]: "Cotton Prices Raised to Stimulate Production"]

[Text] The state has decided to raise the cotton procurement price ratio this year, restoring it to "reverse 3 to 7" from "reverse 4 to 6" in cotton growing areas in the north. This was announced at a telephone conference on cotton work convened jointly by the Ministry of Commerce and the Ministry of Agriculture, Animal Husbandry and Fishery on 16 March. The "reverse 3 to 7" ratio would also be applied to cotton-growing areas in the south.

Under the new price ratios, the cost of 50 kilograms of ginned, rolled cotton will increase by 4.38 yuan and 13.12 yuan in the north and south, respectively, over last year.

The state demands that cotton-growing areas in the south increase production steadily and that their counterparts in the north speed up development. The acreage under cotton this year must reach 80 million mu. Contractual procurement must continue. There will be open procurement outside the contractual system. Contractual and extra-contractual cotton will be governed by similar policies.

Explaining the current cotton supply-and-demand situation, Vice Minister of Commerce Pan Yao [3382 6674] said that because of the excess of demand over procurement 2 years in a row, cotton production should be expanded this year. All supply and marketing cooperatives must set aside a period of time and assign personnel to sign contracts with cotton farmers and satisfy the demand of peasants to plant more cotton. For the moment, we must distribute improved varieties in cooperation with the agricultural agencies, provide means of agricultural production without delay, and assist the financial agencies with pre-procurement work to ensure that this year's cotton planting plan and contractual procurement plan are implemented.

Chen Yaobang [7115 5069 6721], vice minister of agriculture, animal husbandry and fishery, has asked all localities to tackle cotton production even as they come to grips with grain production. In cotton-growing areas in the south, Jiangsu must strive to be self-sufficient in cotton while Hubei must go all



out to double its contribution. In the north, Hebei, Shandong, Henan, and Xinjiang must make the most of their suitability for cotton cultivation. Counties that grow good-quality cotton or cotton destined for the foreign market must ensure that the national cotton acreage plan is carried out and concentrate their energies on increasing the per unit yield and improving quality.

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CSO: 4006/509

## AGRICULTURE

### BRIEFS

**TECHNIQUES TO RAISE GRAIN OUTPUT**--Beijing, April 17 (XINHUA)--While promoting farm production, China has increased investment and applied agro-techniques to ensure a better grain harvest this year. The nation's total grain output this year is expected to reach 405 million tons, according to a state circular issued last month. An official of the Ministry of Agriculture, Animal Husbandry and Fisheries said here today, "Hubei, Zhejiang and Jiangsu provinces have carried out intensive farming and expanded crop rotation to increase yields." Grain producers in Jilin, Heilongjiang, Jiangxi and Anhui provinces are determined to contribute more grain to the state this year, while the Guangxi Zhuang Autonomous Region and Fujian and Yunnan provinces, where grain is in short supply, are trying to ease grain shortages by fully utilizing local resources. According to statistics, agricultural investment in Jiangsu, Jiangxi, Guangdong, Guangxi, Sichuan, Anhui and Shanxi totalled 560 million yuan (151 million U.S. dollars) so far this year. In addition, Jiangsu Province has allocated special funds of 65 million yuan (17.6 million U.S. dollars) to introduce modern agro-techniques. China's Agricultural Bank and credit cooperatives have also granted loans to local farmers. [Text] [Beijing XINHUA in English 1543 GMT 17 Apr 87 OW] /6662

**RURAL WATER CONSERVATION PROJECTS**--Beijing, April 9 (XINHUA)--Last year 63 percent of rural China's some 1.4 million water conservation projects, funded by state investments of 2.23 billion yuan (603 million U.S. dollars), started operation. According to reports released by the State Statistics Bureau, the state investments last year are 15.1 percent higher than 1985, and the country expanded, restored and improved an irrigated area of over 1.57 million hectares, doubling the total area restored during the spring and winter of 1985. In addition, the projects drained 799,000 hectares of low-lying area, tripling 1985's work. Conservationists tackled 57,000 square kilometers of land riddled by soil erosion and supplied safe drinking water to 3.11 million people and 1.11 million head of livestock. Last year, 5,600 rural dwellers participated in winter water conservation construction, 40 percent more than the total number of participants during 1985's spring and winter projects. Some areas still lack adequate funds and materials to build water conservation projects, some projects were not successful, and problems in management, maintenance and equipment use still exist. [Text] [Beijing XINHUA in English 0235 GMT 9 Apr 87 OW] /6662

SHAANXI WHEAT WINTER--Wheat seedlings have been found over a large area in the province's wheat zone this year. The provincial agricultural and animal husbandry department and the provincial plant protection station told reporters that these plants may spread over an area of 10 million mu of wheat this year, including 1 million mu in the province and 9 million mu in other provinces. The provincial plant protection station is in Beijing, Tianjin, Xianyang, Xi'an, and Shouguo provinces and cities. All areas must step up surveillance this year, increase pesticide and fertilizer, and do a thorough job of control with glass vessels. [Excerpt] [Xinwen Shaanxi Province 1st Edition in Chinese 1987 No 5 Apr 87] 1987

YUNNAN INCREASED CORN--In the first half of this year, Yunnan Province's spring-sown corn field has been over 3.5 million mu, an increase of over 1 million mu compared with the same period last year. [Excerpt] [Yunnan Yunnan Province 1st Edition in Chinese 1987 No 15 Apr 87] 1987

EXPORTS OF AGRICULTURAL MACHINERY INCREASE--Beijing, April 30 (XINHUA)--The China National Agricultural Machinery Import-Export Corporation earned 17 million U.S. dollars from exports in the first four months of this year. Commenting on the 74 percent increase over the same period last year, Jiang Chengxun, the corporation's vice-president said, "The corporation exports 10 types of agricultural equipment including tractors, diesel engines, irrigation and drainage equipment, and harvesting machines. Chinese agricultural machinery is mainly exported to Indonesia, Malaysia, the Philippines, Pakistan, and Bangladesh," he said, adding this year, small tractors and marine gear-boxes were exported to the United States, Australia, Finland, Kuwait and Egypt. Jiang said, "In the first four months of this year, the corporation signed contracts for 30 million U.S. dollars." Established in 1981, the corporation has 30 domestic branch offices, representatives in Hong Kong, and purchasing agents abroad, and exported 34 million U.S. dollars worth of machinery last year. [Text] [Beijing XINHUA in English 0628 GMT 30 Apr 87 OW] 16642

FUJIAN CORN AREA--In 1987, Fujian Province will interplant 500,000 mu with corn, and planned output is 50,000 tons. For a long time the province has had a corn shortage; last year alone the province acquired 150,000 tons of corn from other provinces. With the development of the provincial feed industry, there is a high demand for corn. It is estimated that by 1990 Fujian will need more than 450,000 tons of corn. [Excerpts] [Beijing ZHONGGUO SHANGYE BAO in Chinese 7 Apr 87 p 3]

SHAANXI RAMIE AREA--According to statistics, in 1986 the area sown to ramie in Shaanxi Province was nearly 50,000 mu. [Excerpt] [Xi'an SHAANXI NONGYE in Chinese No 3, Mar 87 p 18]

QINGHAI FERTILIZER OUTPUT--As of the end of February, the Qinghai Agricultural Means of Production Corporation had allocated more than 109,000 tons of chemical fertilizer, a 100 percent increase over the same period last year. [Excerpt] [Xining QINGHAI RIBAO in Chinese 29 Mar 87 p 1]

QINGHAI AGRICULTURAL LOANS--As of the end of February, agricultural banks and credit cooperatives in Qinghai Province had allocated 41,550,000 yuan in loans for agriculture and the livestock industry, a more than 100 percent increase over the same period last year. [Excerpt] [Xining QINGHAI RIBAO in Chinese 14 Mar 87 p 1]

XIZANG ANIMAL HUSBANDRY--Xizang region's total animal husbandry output value in 1986 topped 400 million yuan for the first time, an increase of 7.4 percent as compared with 1985. The area of Xizang region's prairie is over 800 million mu and the region's total number of animals in stock is over 22 million. [Summary] [Lhasa Xizang Regional Service in Mandarin 1300 GMT 16 Apr 87] /9604

CSO: 4006/548

## LABOR

### TRADE UNION VIEWS TWO MAJOR TASKS

HK110211 Beijing GONGREN RIBAO in Chinese 28 Feb 87 pp 1, 2

[Report: "The 11th Meeting (Enlarged) of the 10th Presidium of the All-China Federation of Trade Unions Puts Forward Two Major Tasks of This Year"]

[Text] After 3 days of discussion and study, the 11th meeting (enlarged) of the 10th Presidium of the All-China Federation of Trade Unions ended in Beijing on 27 February. Ni Zhifu, member of the Political Bureau of the CPC Central Committee and concurrently president of the All-China Federation of Trade Unions attended the closing ceremony.

The meeting unanimously approved the speech made by Comrade Luo Gan on behalf of the Secretariat of the All-China Federation of Trade Unions, and called on the trade unions at various levels across the country to act actively to accomplish the two tasks, which are to mobilize the staff and workers to carry out the movement of adhering to the four cardinal principles, the reform, opening up to the world, and invigorating the domestic economy, and to mobilize the staff and workers to carry out the movement of increasing production, practising economy, increasing income, and reducing expenditure.

All the participants at the enlarged meeting of the presidium conscientiously studied the relevant documents of the CPC Central Committee, especially Comrade Deng Xiaoping's important expositions on adhering to the four cardinal principles. All the comrades unanimously pointed out that the present struggle is one which concerns the destiny of our party and state and the future of our socialist cause as well. Of course, all the comrades believed that the present struggle is also one which concerns the fundamental interests, the destiny, and the future of our working class. All the comrades agreed that it is necessary to fully understand the seriousness, importance, and protracted nature of the present struggle, and concerted efforts must be made to strengthen political and ideological work among the staff and workers and to carry out education on adhering to the four cardinal principles in depth and on a long-term basis so as to strengthen the staff and workers' capability of seeing through and resisting the ideological trend of bourgeois liberalization.

The meeting pointed out that in order to continue to healthily carry out the struggle against bourgeois liberalization, it is necessary to clearly understand the following questions: 1) The implementation of the factory director responsibility system does not in any way mean weakening or negating the party's leadership and nor does it mean practicing bourgeois liberalization.



2) The leasing and contract systems implemented in the enterprises, and other types of reform measures and experiments are not the manifestation of bourgeois liberalization. On the contrary, they are positive explorations carried out in the course of taking the socialist road with Chinese characteristics. 3) To invite advanced foreign technologies, foreign funds, qualified personnel and suitable management experiences does not mean to practise "total Westernization," but is aimed at speeding up the building of the socialist modernizations and adhering to the basic national policy of opening up to the outside world. 4) The struggle against bourgeois liberalization does not mean abandoning socialist democracy, but is aimed at better developing social democracy. 5) That the staff and workers criticize the bureaucracy and malpractices of the leading cadres or raise reasonable demands to safeguard their legitimate rights and interests does not mean practicing bourgeois liberalization. The practice of suppressing or retaliating reasonable criticisms and demands made by the staff and workers on the excuse of opposing bourgeois liberalization must be banned. 6) If the staff and workers violate or disobey discipline, then normal ideological education should be carried out and the administration should be strengthened to solve the problems which should not be in any way linked with the manifestation of bourgeois liberalization. 7) To apply Marxist theories in exploring the theories and work of the trade unions, including the probe of the position and role of the trade unions in our country's politics and economy and in our country's social life and the probe of how the trade unions should independently carry out their work under the guidance of the party's ideology and politics, and so on, does not mean practicing bourgeois liberalization.

The meeting pointed out that it is necessary to carry out education on the four cardinal principles among the staff and workers in the light of the spirit of the relevant documents of the central authorities. The main contents of the education should be Comrade Deng Xiaoping's important speeches and articles on adhering to the four cardinal principles and opposing bourgeois liberalization. At present, we should mainly grasp well the following aspects of education: 1) To carry out the basic theoretical education on adhering to the four cardinal principles and the education on the present situation and policies. 2) To carry out the education on ideals and ethics. We should carry out the education on the common ideal of building a modernized socialist country with a high degree of democracy and a high degree of civilization among the masses so as to mobilize the broad masses of people to further strengthen labor discipline and the professional morality by taking the realization of the common ideal as their strong spiritual support. 3) To carry out the education on democracy and legal system. We must do a good job in publicizing the "Decision on Strengthening Education on Legal System and Safeguarding Stability and Unity" passed by the standing committee of the 6th National People's Congress so as to make it known to all. 4) To carry out the education on building up the country through thrift and hard work, and plain living and hard struggle. We must enable the staff and workers to know that the policy of building up our country through thrift and hard work and the spirit of plain living and hard struggle is our basic policy which is to be adhered to for a long time in the future. We should mobilize the staff and workers of the whole country to work hard and make strenuous efforts to promote the building of the four modernizations.

We must adopt a variety of lively forms to carry out the education on adhering to the four cardinal principles among the staff and workers. And the education should mainly take the form of self-education among the masses together with the holding of the necessary lectures and lessons. The various areas have had rich experiences in carrying out the self-education among the masses and should continue to make efforts in this regard. The forms of the self-education among the masses should include the book-reading and lecture-giving activities, the theoretical study groups formed by the staff and workers and the theoretical guidance lectures for the staff and workers, book reviews and movie reviews, questions and answers on knowledge and knowledge competitions, and other educational and recreational activities, which can attract the broad masses of the staff and workers. All these are effective forms which should continue to be used in the future.

The meeting pointed out that on the premise of adhering to the four cardinal principles, it is all the more necessary to develop the socialist democracy. As the mass organization of the working class, the important representative of the interests of the staff and workers, and the important social and political group in the political structure of the socialist country, the trade unions should, on the one hand, practically improve their own work styles, maintain close links with the masses, and make themselves real mass and democratic organizations and on the other hand, further bring into play the role of the trade unions in the overall socialist democratic construction of the country, strengthen the trade unions' functions of representing and safeguarding the legitimate rights of the staff and workers, more actively participate in the government and political affairs and participate in the discussions on the state affairs and the management of the politics, economy, culture, and social life of the country as well, and speak and do things for the staff and workers so as to enable the trade unions to really become the channel for the democratic dialogue between the broad masses of staff and workers and the government and administration. In the meantime, efforts should also be made to strengthen the democratic management of enterprises and undertakings and the democratic supervision over the cadres and the social life. These are not only the demand of the present struggle against bourgeois liberalization but also the demand of fundamentally strengthening the building of our country's socialist democracy and securing the long-term peace and stability of our country.

At present among the staff and workers, there are some discussions on the prices, social distribution, malpractices, indiscriminate deductions and fines, and so on. The trade unions at various levels are duty-bound to reflect the reasonable and fair demands and wishes of the staff and workers through their democratic dialogues with the government and administration and help the government to fairly solve these problems. The trade unions at various levels should also practically solve the realistic problems among the staff and workers, which demand imminent solutions and are liable to be solved.

The meeting pointed out that it is all the more important to mobilize the staff and workers to take part in the campaign of increasing production, practising economy, increasing income, and reducing expenditure. To extensively carry out the campaign of increasing production, practising economy, increasing income, and reducing expenditure is not only the central task of the building of the socialist material civilization but also the central task of the building of

the socialist spiritual civilization and improving the party style and the general mood of the society. At present, the overall economic situation of our country is good. However, we should notice that there are still some potentially unstable factors in our economic life, such as the excessive capital construction scale, low economic results, and so on. The correct solution to these problems lies in compressing the capital construction, increasing production, practising economy, increasing income, and reducing expenditure. To carry out the campaign of increasing production, practising economy, increasing income, and reducing expenditure is not a temporary expedient measure but a task which will be carried out for a long time to come.

The organizations of the trade unions at various levels should mobilize and organize the broad masses of the staff and workers to inherit and develop the fine tradition of our country's working class, which are: plain living and hard struggle, and building up the country through thrift and hard work, so as to carry out the campaign of increasing production, practising economy, increasing income, and reducing expenditure in width and depth and on a long-term basis. In the campaign of increasing production, practising economy, increasing income, and reducing expenditure, the organizations of the trade unions in the various industries and trades, localities, and units at the grass-roots level must organize the staff and workers to greatly mobilize the masses to carry out various types of labor emulation drives so as to achieve more practical results in tapping the internal potential, improving the product quality, reducing material consumption, increasing export-oriented production, creating more foreign exchange, guaranteeing the construction of major projects, and some other aspects. It is necessary to encourage reasonable suggestions and technological innovation activities so as to tackle the key problems in production, technology, and management. Efforts should also be made to enable everyone to put forward suggestions. The reasonable suggestions should be accepted and implemented in increasing numbers so as to create a higher value of increasing production and practising economy. In order to carry out the campaign of increasing production, practising economy, increasing income, and reducing expenditure in depth and on a long-term basis, it is extremely important to protect the enthusiasm and creativeness of the staff and workers. The staff and workers who make outstanding contributions in the campaign of increasing production, practising economy, increasing income, and reducing expenditure must be rewarded according to the relevant regulations. It is also necessary to strengthen labor protection, pay attention to safety in production, and show concern for the livelihood of the staff and workers.

Chen Bingquan, vice president of the All-China Federation of Trade Unions made a concluding report at today's meeting. He called on the trade unions at various levels, especially the leading cadres of the trade unions at various levels, to conscientiously study the spirit of the relevant documents of the CPC Central Committee, work hard to fulfill the various requirements put forward at the meeting (enlarged) of the Presidium of the All-China Federation of Trade Unions, and enable the trade unions at various levels to play a better role in accomplishing the two major tasks for this year.

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## LABOR

### BEIJING HOLDS MEETING ON INCOME DISTRIBUTION

Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese 15 Feb 87 p 15

[Article by Xu Hui [6079 6540]: "The Beijing Labor Institute Holds Discussion on Income Distribution"]

[Text] A "meeting for the academic discussion on income distribution" was held by the Beijing Labor Institute between 17 and 26 December 1986. The discussion was centered around such problems as the reform of the wage system, the invigoration of large and medium-sized state enterprises, the establishment of a proper relationship in the payment of wages and the payment of different amounts of wages in an equitable manner.

#### I. Reform of Wage System of Enterprises

The overwhelming majority of the comrades at the meeting were of the opinion that it was essential to establish a link between the total amount of wages and economic effectiveness in bringing about a reform of the wage system of the enterprise and that, in view of the less than ideal external conditions confronting the enterprises and the rapid changes in the market, efforts should continue to be made at selected points to gradually perfect and standardize the method for establishing a link among the different trades and enterprises.

Some comrades expressed the belief that the establishment of such a link would lead the enterprises to lose sight of the ultimate objective by striving to increase the per capita income instead of the per capita amount of profit and that the existing method for establishing such a link would reverse the cause-and-effect relationship between production and distribution by allowing the amount of income to determine the amount of production.

As regards the pattern for setting an objective for the wage system of the enterprise, most comrades were agreed that "the enterprises should have the right to determine the amount of distribution and that taxes above that amount should be levied by the state." The proposal was also made by some comrades that "the state should levy taxes, and the enterprises should be responsible for determining the amount of wages and the distribution of income." It was pointed out by other comrades that a unified pattern could not be set for the reform of the wage system in view of the pluralistic nature of personal income under socialism.



## II. Discrepancy in Amounts of Income

Some comrades expressed the opinion that since the very system of distribution according to the amount of work entailed differences in the amounts of payment, such differences were entirely proper. Other comrades proposed that a serious study should be made of the differences in payment in order to ascertain what differences in payment were due to differences in the amount of work and what to other factors. The suggestion was made by some that the question of whether differences in the amounts of payment were proper or otherwise should not be determined by the amounts of payment but by whether or not such differences were in line with policy and that what was in line with policy should be considered proper and what was not should be considered inappropriate.

## III. Discrepancy in Amounts of Income of Enterprises After the Payment of Rent

Is there too big a difference in the amounts of pay for leaseholders and staff workers after rent is paid by small-scale businesses and service enterprises? According to the concerned departments, such a problem did not exist. A survey made by certain enterprises indicated that, although the income for leaseholders exceeded the average for staff workers by as much as 85.1 percent, it was still lower than the permissible amount. Generally speaking, the income for leaseholders should be kept at a level three- to fivefold the average for staff workers. Exception was taken by these departments to the notable increase in the income of staff workers following the payment of rent by the enterprises and to the discrepancy in the payments for staff workers and establishments set up by large and medium-sized commercial enterprises and the cadres in the business establishments. They felt that such establishments should take advantage at the opportune moment to carry out a whole set of reforms in various areas.

## IV. Certain Theoretical Problems Regarding Income Distribution

Many comrades were of the opinion that the study of the theories on wages at the present stage was lagging far behind the implementation of reforms and that attention should henceforth be directed toward the solution of the following crucial problems: 1) It is necessary to engage in a systematic study of the reform of the wage system as part of the overall reform of the entire economic system, to ascertain the relationship between the reform of the wage system and other reforms, to come to an understanding of the mutual effect exerted by wage reforms and other reforms, such as price reforms, tax reforms, reforms of the financial, labor, and insurance systems, and other partial reforms, and to establish a relationship between the planned commodity economy and distribution so that the reform of the wage system not become an isolated effort or be held back by a wait-and-see attitude. The reform of the wage system must be in line with cardinal principle that distribution should be determined by the amount of production and that consideration should be given to the productive capability in society. 2) To reform the wage system, it is necessary to deal properly with the relationship between efficiency and the disparity in



the amount of wages. In the commodity economy, it is only when there is a disparity in the amount of wages that it is possible to promote efficiency. Under circumstances characterized by the absence of a mechanism for providing equal opportunity, competition for higher incomes should be considered as normal. In view of the traditional cultural and ideological influence to which workers in our nation have been exposed, it is not easy for them to reconcile themselves to disparities in the amount of wages. One major task in reforming the wage system is to do away with the theory of egalitarianism, to upgrade efficiency, to see to it that the disparity in the amount of wages should be kept within certain limits, and that social stability should not be jeopardized. 3) We must taken into consideration the market mechanism in determining the amount of wages. The system of distribution within the enterprises must reflect an element of competition, and the mechanism for determining the amount of wages must take into account the role played by the market. To study the problem of wages without reference to the supply of and demand for labor would serve no real purpose. To perfect the relationship between wages and the market, it is imperative to study the relationship between the supply of and demand for labor, on the one hand, and wages, on the other, to establish an equitable mechanism for determining the amount of wages, and to put an end to the practice of scrambling madly for higher wages. 4) While upholding the principle of distribution according to the amount of work, we must also give consideration to other principles of distribution. Although the principle of distribution according to the amount of work is one of the essential features of socialism, we must take note of the fact that, at a time when our economy is made up of a variety of components, the principle of distribution according to the amount of work is not the only principle for the distribution of personal consumer goods. The principle adopted by the individual economy, the privately operated economy, the output-related system of contracted responsibilities adopted by the rural areas, and the renting, leasing, and contracting operations of the enterprises in the cities is not that of distribution according to the amount of work but according to the fluctuating amounts of profit made by the operations.

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## LABOR

### SHAANXI PEASANT OPERATES INDIVIDUAL LABOR MARKET

HK210517 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 20 Apr 87

[Text] (Dou Zhongxian), a peasant from (Duanchun) village in (Xunwang) township, Weinan City, has operated an individual labor market in the city. This was warmly welcomed by the masses. In the one and a half months of its operation the market has solved recruitment and employment problems for more than 200 people.

(Dou Zhongxian), 63, had become a peasant household in his village through his own and his sons' hard work over the past few years. But the old man disliked a leisured and comfortable life. When seeing that there was much surplus labor force in the village, that many peasants who wanted to go to other places to find jobs had no way, and that some units and families in the city could not find suitable workers, he thought that he had travelled much for so many years and had many friends and acquaintances in Weinan's urban and rural areas so it would be a very good thing for him to act as a bridge between the employer and the employed in labor service. Thus he moved a desk and a chair to set up Weinan City (Sanxin) Labor Service Employment Agency by the (Youhe) Bridge in Weinan City's urban district, with a business license issued by the Weinan City Industrial and Commercial Management Bureau displayed. Thus, an open-air individual labor market started operation. In the first day of its operation, the agency helped 24 people find suitable jobs. In the one and a half months since its operation, more than 600 people have registered themselves with the agency and more than 200 people have found jobs through the agency, such as carpenter, electric worker, household servant, cook, tiler, and shop assistant.

The old man (Dou) has provided his clients with a very good service but his service charge is very low. To support him, the industrial and commercial bureau department exempted him from the management fee in the first month of his operation. However, his net income was as low as 29.6 yuan by the end of the first month. Our reporter asked him: You worked hard all day long, but got so little. Is it worthwhile? he replied: I now have enough to eat and wear, but I hate to lead a leisured life at home. As I am still healthy, I want to make some contributions to the state and do some good things for the people. If I intended to make money, I would not have done this hard work.

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